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9
10 **UNITED STATES DISTRICT COURT**
11 **NORTHERN DISTRICT OF CALIFORNIA**

12 ARLIE DOLLY, Individually and on Behalf of
13 All Others Similarly Situated,

14 Case No. 5:24-cv-06244-EKL

15 Plaintiff,

16 **AMENDED COMPLAINT FOR**
17 **VIOLATIONS OF THE FEDERAL**
18 **SECURITIES LAWS**

19 v.

20 **CLASS ACTION**

21 GITLAB INC., SYTSE SIJBRANDIJ, BRIAN
22 G. ROBINS, and DAVID DESANTO,

23 **DEMAND FOR JURY TRIAL**

24 Defendants.

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1 Lead Plaintiff Dutch Smith (“Plaintiff”), individually and on behalf of all other persons
 2 similarly situated, by their undersigned attorneys, alleges the following based upon personal
 3 knowledge with respect to their own acts, and upon facts obtained through an investigation
 4 conducted by and through his counsel, which included, *inter alia*: (a) review and analysis of
 5 relevant filings made by GitLab Inc. (“GitLab” or the “Company”) with the United States
 6 Securities and Exchange Commission (the “SEC”); (b) review and analysis of GitLab’s public
 7 documents, announcements, conference calls, press releases, and stock chart; (c) review and
 8 analysis of securities analysts’ reports and advisories concerning the Company; (d) interviews with
 9 former employees described herein, and (e) information readily obtainable on the internet. Plaintiff
 10 believes that further substantial evidentiary support will exist for the allegations set forth herein
 11 after a reasonable opportunity for discovery. Most of the facts supporting the allegations contained
 12 herein are known only to the defendants or are exclusively within their control.

13 **I. NATURE OF THE ACTION**

14 1. This is a federal securities class action lawsuit on behalf of a class consisting of all
 15 persons and entities who purchased or otherwise acquired GitLab securities between June 5, 2023
 16 and June 3, 2024, inclusive (the “Class Period”), seeking to recover damages caused by GitLab’s
 17 and certain of its executive officers’ violations of the federal securities laws and to pursue remedies
 18 under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and
 19 SEC Rule 10b-5, promulgated thereunder.

20 2. Throughout the Class Period, GitLab and those who ran it—particularly its Co-
 21 Founder, Chairman and Chief Executive Officer, Sytse Sijbrandij and its Chief Financial Officer,
 22 Brian Robins—touted the capabilities of the Company’s artificial intelligence (“AI”) features
 23 driving market demand, providing expanded monetization opportunities through its paid add-on,
 24 GitLab Duo, and supporting a 53% price increase of its most utilized paid offering, known as its
 25 Premium tier. Defendants assured investors of customer acceptance of its new pricing model and
 26 AI integration at every phase of the software development lifecycle, providing positive customer
 27 testimonials and promoting the Company’s renewals and churn rates, when, in fact, market
 28 demand for GitLab’s AI product was materially different than represented due, in part, to:

1 significant concerns amongst potential customers regarding security and data privacy; GitLab's AI
 2 features did not possess the capabilities expressed; deployment was delayed; and when GitLab's
 3 AI features were made available to customers, feedback was largely negative. Consequently,
 4 GitLab was struggling to sell its new AI features to its customer base and was experiencing a
 5 decline in net seat expansion, due to price sensitivity particularly amongst its small to mid-market
 6 customers – accounting for roughly 30% of its revenue.

7 3. Defendants provided investors with material information concerning GitLab's
 8 expected revenue for the fiscal year ended January 31, 2025 ("FY 2025"). Defendants' statements
 9 included, among other things, GitLab's incorporation of AI-powered features throughout its
 10 DevSecOps platform, increasing the efficiency and productivity of software development and
 11 making it more affordable for customers, monetizing its various AI capabilities with monthly
 12 subscriptions and increasing pipeline growth by integrating its DevSecOps platform as the
 13 preferred software delivery platform in the industry. Furthermore, under the Company's ratable
 14 business model, the Premium price increase, effective April 3, 2023, was poised to have minimal
 15 impact on GitLab's fiscal year ended January 31, 2024 ("FY 2024") revenue, with greater impact
 16 in FY 2025 and some additional tailwind in fiscal year ended January 31, 2026 ("FY 2026").

17 4. Defendants created the false impression that they possessed reliable information
 18 pertaining to GitLab's ability to develop and incorporate AI throughout the software development
 19 lifecycle in order to optimize code generation while at the same time protecting highly sensitive
 20 data thereby increasing market demand and making all levels of software development more
 21 affordable and properly monetizing its AI-powered features. In truth, there was weak market
 22 demand for Gitlab's touted AI features, and the Company was experiencing pricing sensitivity in
 23 the Premium tier, especially within small and medium-sized businesses and the mid-market sector.
 24 Defendants misled investors by continually highlighting AI-driven innovations to drive market
 25 share demands and ensuring prolonged positive impacts from its Premium price increase.

26 5. The truth began to emerge during after-market hours on March 4, 2024, when
 27 GitLab issued a press release reporting results for the quarter and fiscal year ended January 31,
 28 2024. While GitLab announced positive quarterly revenue of \$163.8 million, representing a growth

1 rate of 33% year-over-year (“y/y”) and annual revenue of \$579.9 million, representing a growth
 2 rate of 37% y/y, the Company revealed significantly lower-than-expected guidance for the first
 3 quarter and FY 2025. In pertinent part, GitLab provided expected annual revenue of \$725 million
 4 to \$731 million for FY 2025, representing a growth rate of approximately 26% y/y.

5 6. The lower-than-expected guidance was delivered at the same time as the
 6 Company’s announcement that it was now selling Duo Pro – its paid add-on for AI features like
 7 Code Suggestions, Chat, and other organizational control capabilities – for \$19 per user per month,
 8 up from the originally announced pricing of \$9 per user per month at the start of the Class Period.

9 7. Later that day, GitLab hosted an investor conference call to discuss the Company’s
 10 fourth quarter and FY 2024 financial results and FY 2025 guidance (“4Q24 Earnings Call”), during
 11 which Defendants acknowledged that a driving factor of the lowered guidance was that they were
 12 “seeing normalization in buying behavior” and as a result, their “guidance philosophy” was to be
 13 “less conservative this year than in the first 2 years.” Defendants also revealed that GitLab needed
 14 time to “build its pipeline and close deals on new products” before they could have a “meaningful
 15 impact in [GitLab’s] ratable business model.” Consequently, Defendants now expected more
 16 revenue contribution from the Premium price increase as well as the Company’s new AI-related
 17 paid add-ons, like GitLab Duo, in FY 2026 as opposed to FY 2025.

18 8. In addition, Defendants informed investors that GitLab had not finished its stand-
 19 alone selling price or SSP analysis for FY 2025, which determined its upfront revenue recognition
 20 rate for license revenue – the revenue recognized by providing its customers with access to
 21 proprietary software features under its self-managed subscriptions. As a result, GitLab had not
 22 factored any change to SSP in the FY 2025 guide. Defendants announced that they would share an
 23 update at the next earnings call once they had the results of the SSP analysis.

24 9. Investors and analysts reacted immediately to these revelations. The price of GitLab
 25 securities dropped dramatically from a closing market price of \$74.47 per share on March 4, 2024,
 26 to \$58.84 per share at close on March 5, 2024, a decline of about 21% in the span of a single day.

27 10. Despite this precipitous decline in the Company’s stock price, confusion regarding
 28 the underlying contributors to GitLab’s soft guide remained in the market. For example, during

1 the question-and-answer portion of the 4Q24 Earnings Call, when specifically asked about changes
 2 in customer behavior or purchasing patterns suggesting declining growth in GitLab's Annual
 3 Recurring Revenue (ARR), *i.e.*, customer base, and/or a reduction in its Dollar-Based Net Revenue
 4 Retention (DBNRR), Defendants skirted the questions by refusing to comment on the current
 5 earnings period or by simply stating that “[t]here's a number of factors that go into our guidance.”

6 11. Then, during after-market hours on June 3, 2024, GitLab announced that it had
 7 completed its SSP analysis which had resulted in an estimated \$4 million headwind to FY 2025
 8 revenue guidance relative to the initial guidance revealed on March 4, 2024. The Company also
 9 revealed that for the first quarter of FY 2025, its Annual Recurring Revenue (“ARR”) increased
 10 approximately 21% y/y (landing 5 points below consensus growth expectations), compared to a
 11 growth rate of 37% y/y in the prior quarter. In addition, GitLab’s Dollar-Based Net Retention Rate
 12 (“DBNRR”) dropped sequentially by 1 point to 129%.

13 12. In response, the price of GitLab securities declined from \$47.07 per share at close
 14 on June 3, 2024, to \$44.75 per share at close on June 4, 2024, a drop of nearly 5% in a single day.

15 13. GitLab’s public investors sustained significant investment losses as the Company’s
 16 securities prices plummeted. Plaintiff brings this action to recover the market losses that he and
 17 other similarly situated shareholders sustained as a result of Defendants’ Class Period violations
 18 of the Exchange Act and SEC Rule 10b-5, promulgated thereunder.

19 II. **JURISDICTION AND VENUE**

20 14. The claims asserted herein arise under and pursuant to Section 10(b) and 20(a) of
 21 the Exchange Act, 15 U.S.C. §§ 78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder by the
 22 SEC, 17 C.F.R. § 240.10b-5.

23 15. This Court has jurisdiction over the subject matter of this action pursuant to 28
 24 U.S.C. §§1331 and 1337, and Section 27 of the Exchange Act, 15 U.S.C. §78aa.

25 16. Venue is proper in this District pursuant to Section 27 of the Exchange Act and 28
 26 U.S.C. §1391(b), as GitLab is incorporated in this District and a significant portion of its business,
 27 actions, the alleged actions including, *inter alia*, the preparation and dissemination of materially
 28

1 false and misleading information, and the subsequent damages to Plaintiff and the Class, took place
 2 within this District.

3 17. In connection with the acts, conduct and other wrongs alleged herein, Defendants,
 4 directly or indirectly, used the means and instrumentalities of interstate commerce, including but
 5 not limited to, the United States mail, interstate telephone communications and the facilities of the
 6 national securities exchange markets.

7 **III. THE PARTIES**

8 **A. Plaintiff**

9 18. Lead Plaintiff Dutch Smith, as set forth in his previously filed Certification,
 10 incorporated by reference here, purchased GitLab securities during the Class Period and because
 11 of the violations of the federal securities laws alleged herein, suffered damages as a result.

12 **B. Defendants**

13 19. GitLab, Inc. is a Delaware corporation with its principal executive offices located
 14 at 268 Bush Street #350, San Francisco, CA 94104-3503. During the Class Period, the Company's
 15 common stock traded on the NASDAQ Stock Market (the "NASDAQ") under the symbol "GTLB."

16 20. Defendant Sytse Sijbrandij ("Sijbrandij") was, at all relevant times, Co-Founder,
 17 Chairman and Chief Executive Officer ("CEO") of GitLab.

18 21. Defendant Brian G. Robins ("Robins") was, at all relevant times, the Chief
 19 Financial Officer ("CFO") of GitLab.

20 22. Defendant David DeSanto ("DeSanto") was, at all relevant times, the Chief Product
 21 Officer ("CPO") of GitLab.

22 23. Defendants Sijbrandij, Robins, and DeSanto are collectively referred to herein as
 23 the "Individual Defendants."

24 24. GitLab, together with the Individual Defendants, are referred to herein as
 25 "Defendants."

26 25. The Individual Defendants, because of their positions with the Company, possessed
 27 the power and authority to control the contents of GitLab's reports to the SEC, press releases, and
 28 presentations to securities analysts, money and portfolio managers, and institutional investors, *i.e.*,

1 the market. Each Individual Defendant was provided with copies of the Company’s reports and
 2 press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the
 3 ability and opportunity to prevent their issuance or cause them to be corrected. Because of their
 4 positions and access to material non-public information available to them, each of these Individual
 5 Defendants knew that the adverse facts specified herein had not been disclosed to, and were being
 6 concealed from, the public, and that the positive representations which were being made were then
 7 materially false and/or misleading. The Individual Defendants are liable for the false statements
 8 pleaded herein, as those statements were each “group-published” information, the result of the
 9 collective actions of the Individual Defendants.

10 26. GitLab is liable for the acts of the Individual Defendants, and its employees under
 11 the doctrine of *respondeat superior* and common law principles of agency as all the wrongful acts
 12 complained of herein were carried out within the scope of their employment with authorization.

13 27. The scienter of the Individual Defendants, and other employees and agents of the
 14 Company are similarly imputed to GitLab under *respondeat superior* and agency principles.

15 **IV. FORMER EMPLOYEES CORROBORATING FACTUAL ALLEGATIONS**

16 A. FE1

17 28. Former Employee #1 (“FE1”) was employed by GitLab between September 2022
 18 and September 2024. Specifically, during their tenure with the Company, FE1 served as Head of
 19 Global Cloud Partnerships, Ecosystem Sales from January 2024 to September 2024; and served as
 20 a Director, Strategic Partnerships, with a focus on the Google Cloud Alliance & ISV Partner
 21 Program, from September 2022 to December 2023.

22 29. As a Director, Strategic Partnerships at GitLab, FE1 was primarily responsible for
 23 strategy and relationship management with current and potential technology partners and large
 24 enterprises. The GitLab Handbook – the Company’s central repository that details how Defendants
 25 run GitLab and is shared publicly – lists the responsibilities of Director, Strategic Partnerships to
 26 include, *inter alia*, develop and facilitate collaboration plans for key partners, and develop product
 27 adoption and customer success plans; act as a liaison between internal teams at GitLab and
 28 strategic partners to communicate about feature requests, product roadmap, and how the

1 partnership influences timing and direction; and understand the relative strength of competitors
 2 within strategic partners, if any. In this role, FE1 reported to GitLab's Vice President ("VP"),
 3 Business Development and Strategic Partnerships, who in turn reported to Ashley Kramer, Chief
 4 Marketing Officer ("CMO") and Chief Strategy Officer ("CSO").

5 30. As Head of Global Cloud Partnerships, Ecosystem Sales, FE1 was primarily
 6 responsible for directing the ecosystem partner function at a strategic level across several
 7 specialties or functions globally, developing global frameworks, collaborating with VP-level
 8 executives to integrate ecosystem partner strategies into overall business plans. According to the
 9 GitLab Handbook, in this role, FE1 would have extensive, including board-level and senior
 10 executive interactions, as well as with top-tier partners. In this role, FE1 reported to the Company's
 11 Vice President, Ecosystem Sales, who in turn reported to the Chief Revenue Officer ("CRO").

12 31. FE1 recounted reporting to at least four different VPs during their tenure, and
 13 multiple CROs. Indeed, Michael McBride served as GitLab's CRO from May 2018 until July 18,
 14 2023, when the Company appointed Chris Weber, who served as CRO until his resignation
 15 effective August 4, 2024, at which point Ashley Kramer was appointed Interim CRO, in addition
 16 to serving as CMO and CSO.

17 **B. FE2**

18 32. Former Employee #2 ("FE2") was employed by GitLab as a Customer Success
 19 Strategy Manager between August 2022 and July 2023. In this role, FE2 reported to Christian
 20 Conover, Director of Customer Success Management in the Americas.

21 33. As a Customer Success Strategy Manager, FE2 was primarily responsible for
 22 creating and building relationships with C-Level executives at Fortune 500 companies in order to
 23 sell GitLab's products. According to the GitLab Handbook, the responsibilities of a Customer
 24 Success Strategy Manager include, *inter alia*, developing and designing business models that align
 25 with the company's strategic objectives and customer success goals; conducting thorough analyses
 26 of proposed changes and their potential impacts on the business and customer success operations;
 27 leading the design and execution of experiments to test new strategies, processes, and metrics,
 28 ensuring robust and actionable results; developing and implementing key performance indicators

1 (KPIs) and metrics that accurately measure the effectiveness of customer success initiatives; and
 2 providing data-driven insights based on a deep understanding of the business area, contributing to
 3 the overall strategic direction across teams.

4 **C. FE3**

5 34. Former Employee #3 (“FE3”) was employed by GitLab as a Senior Global Partner
 6 Program Manager from November 2021 to November 2024.

7 35. As a Senior Global Partner Program Manager, FE3 was primarily responsible for the design,
 8 management, and execution of GitLab’s global Partner Ecosystem Programs. According to the
 9 GitLab Handbook, the responsibilities of a Senior Global Partner Program Manager include, *inter*
 10 *alia*, design, build and manage Ecosystem Programs including incentive programs; develop
 11 playbooks to help partners develop and Ecosystem Sales engagement with partners; together
 12 with Partner Operations, lead the overall partner experience including design changes for the
 13 partner portal; manage communications to the partner channel via portal, newsletters, webcasts,
 14 social channels; collect and manage feedback from partner ecosystems; and lead programs for
 15 individual role specific areas of expertise including the SMB and mid-market segment.

16 **V. SUBSTANTIVE ALLEGATIONS**

17 **A. Company Background**

18 36. GitLab was founded in 2011 as an open-source project by Defendant Sijbrandij and
 19 Dmitriy Zaporozhets. The Company launched its open-core business model in 2014. Since
 20 inception, GitLab has been operated as an all-remote company and has employees located globally.

21 37. GitLab began as a web-based Git repository—a virtual storage space for a project’s
 22 code and version history—but has since evolved into a one platform solution that encompasses the
 23 entirety of the software development lifecycle from planning to production to security.

24 38. DevOps is a methodology that combines software development (Dev) and IT
 25 operations (Ops) to automate and improve the software development lifecycle, increase
 26 deployment frequency, and deliver products faster and with higher quality. The DevOps approach
 27 emphasizes collaboration and communication between development and operations teams.

1 39. DevSecOps adds security (Sec) to the DevOps process. DevSecOps builds on the
 2 DevOps approach of streamlining development and operations with an added emphasis on security
 3 and risk management. DevSecOps reduces the risk of releasing code with security vulnerabilities,
 4 ensures security is a priority from the beginning of the software development lifecycle, and seeks
 5 to prevent undetected security issues from reaching production.

6 40. GitLab's core offering is its DevSecOps platform that enables professionals to
 7 perform project-based tasks, from the planning stage to source code management to monitoring
 8 and security. The GitLab platform aims to enable DevOps processes by breaking down silos within
 9 personnel (*i.e.*, IT, developers, security) via one single, unified platform, ultimately eliminating
 10 tool sprawl across the software development lifecycle.

11 41. GitLab prides itself on being the only DevSecOps platform built on an open-core
 12 business model which enables any customer and contributor to add functionality to its platform.
 13 The Company purports that its open-core approach has also enabled GitLab to build trust with its
 14 customers, and to maintain a high velocity of innovation so that it can rapidly create the most
 15 comprehensive DevSecOps platform.

16 42. GitLab makes its platform available through its self-managed and software-as-a-
 17 service (“SaaS”) subscriptions. For its self-managed subscriptions, the customer installs GitLab in
 18 their own on site or hybrid cloud environment, and includes support, maintenance, upgrades, and
 19 updates on a when-and-if-available basis. Revenue for self-managed subscriptions is recognized
 20 ratably over the contract period based on the stand-ready nature of subscription elements. The
 21 Company’s self-managed subscriptions also include a license component which reflects the
 22 revenue recognized by providing customers with access to proprietary software features. License
 23 revenue is recognized up-front when the software license is made available to the customer.

24 43. For the Company’s SaaS subscriptions, the platform is managed by GitLab and
 25 hosted either in the Company’s public cloud or in its private cloud based on the customer’s
 26 preference. SaaS subscriptions provide access to GitLab’s latest managed version of its product.
 27 Revenue for SaaS subscriptions is recognized ratably over the contract period when the
 28

1 performance obligation is satisfied. The typical term of GitLab’s subscription contract for self-
 2 managed or SaaS offering is one to three years, with the average term lasting roughly 15 months.

3 44. GitLab’s pricing structure is broken down into three tiers: (1) Free; (2) Premium;
 4 and (3) Ultimate. The Company offers a free tier with numerous features to encourage use of
 5 GitLab’s DevSecOps Platform, solicit contributions, and serve as targeted lead generation for paid
 6 customers. GitLab also offers two paid subscription tiers – its entry level known as the Premium
 7 tier, costing between \$19 to \$29 per user per month (described in detail below) and its highest paid
 8 offering known as the Ultimate tier, costing \$99 per user per month. Paid subscriptions provide
 9 access to additional features including those geared towards managers, directors, and executives.

10 45. GitLab markets its platform as available to any team, regardless of the size, scope,
 11 and complexity of their deployment, including small and medium-sized businesses (“SMB”) to
 12 mid-market to Fortune 500 companies. To reach, engage, and help drive success at each level,
 13 GitLab relies on strong partnerships with cloud hyperscalers, including Google Cloud and Amazon
 14 Web Services (“AWS”), who offer the GitLab platform on their marketplaces. GitLab also benefits
 15 from strategic alliance partnerships, which resell the GitLab platform to large enterprise customers,
 16 and channel partnerships ranging from large global systems integrators to regional digital
 17 transformation specialists, and volume resellers.

18 46. According to SEC filings, the length of GitLab’s sales cycle, from initial contact
 19 from a prospective customer to contractually committing to a paid subscription can vary depending
 20 on deal complexity and whether the sale is made directly by GitLab or through a strategic
 21 partnership. During the fiscal year ended January 31, 2022, the Company’s average sales cycle for
 22 enterprise customers—GitLab defines as companies with 2,000 or more employees—was 96 days
 23 and 20 days for SMB and mid-market customers. According to Defendant Robins, GitLab saw “no
 24 meaningful changes in the sales cycle duration” during fiscal year ended January 31, 2023, with a
 25 “slight increase, nothing really that material” in enterprise and mid-market and “SMB [] holding
 26 to historicals.”

27 47. At all relevant times, within a quarter, GitLab’s revenue growth was represented by
 28 roughly 80% expansion from existing customers and 20% from first orders, or new bookings.

1 48. At all relevant times, Gitlab has reported an estimated 30 million or more registered
 2 users, which includes users of its Free tier. For purposes of determining the number of active
 3 customers, Gitlab looks at its customers with more than \$5,000 of ARR, in a given period, who
 4 the Company refers to as its “Base Customers.” A single organization with separate subsidiaries,
 5 segments, or divisions that use GitLab’s DevSecOps Platform is considered a single customer for
 6 determining each organization’s ARR.

7 49. According to SEC filings, to “evaluate [GitLab’s] business, identify trends
 8 affecting [the] business, formulate business plans, and make strategic decisions,” it monitors key
 9 metrics including ARR and DBNRR. GitLab claims that its ability to retain and expand its revenue
 10 generated from existing customers is an indicator of the long-term value of its customer
 11 relationships and its potential future business opportunities.

12 50. GitLab calculates ARR by taking the monthly recurring revenue (“MRR”) and
 13 multiplying it by 12. MRR for each month is calculated by aggregating, for all customers during
 14 that month, monthly revenue from committed contractual amounts of subscriptions, including the
 15 Company’s self-managed and SaaS offerings but excluding professional services. At all relevant
 16 times, customers with at least \$5,000 in ARR contributed 95% or more of GitLab’s total ARR.

17 51. In addition to providing the total number of customers with at least \$5,000 in ARR,
 18 the Company breaks out the cohort of customers with ARR of \$100,000 or more. GitLab purports
 19 that its ability to increase the number of \$100,000 ARR customers is an indicator of its market
 20 penetration and strategic demand for the DevSecOps platform. As of January 31, 2023, customers
 21 with \$100,000 or more in ARR represented roughly 10% of GitLab’s Base Customers. As of
 22 January 31, 2024, customers with \$100,000 or more in ARR represented roughly 11.6%.

23 52. For fiscal year ended January 31, 2023, roughly 69% of GitLab’s total ARR came
 24 from public sector and enterprise customers with SMB and mid-market customers making up the
 25 remaining 31%. According to Defendant Robins, as of the quarter ended October 31, 2023, around
 26 60% of the Company’s ARR came from enterprise customers, with public sector customers
 27 representing a little over 10%, and SMB and mid-market making up the remainder.

1 53. Historically, most of the Company's revenue has come from Premium tier
 2 subscriptions. As of January 31, 2023, Premium subscriptions accounted for 60% of GitLab's total
 3 ARR. As of January 31, 2024, Premium subscriptions represented 56% of its total ARR.

4 54. DBNRR measures the percentage change in GitLab's ARR derived from its
 5 customer base. GitLab calculates DBNRR as of a period end by starting with its customers as of
 6 the 12 months prior to such period end, or the "Prior Period ARR." It then calculates the ARR from
 7 these customers as of the current period end, or the "Current Period ARR." The Current
 8 Period ARR includes any upsells, price adjustments, user growth within a customer, contraction,
 9 and attrition. GitLab then divides the total Current Period ARR by the total Prior Period ARR to
 10 arrive at the DBNRR. GitLab reports DBNRR on a threshold basis of 130% each quarter and
 11 provides a tighter threshold as of each fiscal year end, or the actual number if below 130%.

12 55. Historically, the number one contributor to the Company's DBNRR was seat
 13 expansion, followed by tier upgrade to Ultimate, and then increase yield from the customer. As of
 14 January 31, 2023, seat growth accounted for roughly 50% of GitLab's DBNRR, with tier upgrades
 15 and price yield representing the other 50% equally. As of January 31, 2024, GitLab's DBNRR was
 16 represented by roughly 40% seat growth, 40% increased price yield, and 20% tier upgrade.

17 56. During the quarter ended October 31, 2023, GitLab implemented operational
 18 changes related to its "account hierarchy process for tracking customers." According to SEC
 19 filings, these changes resulted in an update to the Company's methodology for calculating DBNRR,
 20 but the definition of DBNRR along with the method of how GitLab determines its number of Base
 21 Customers remained the same. Under this new methodology, GitLab's reported DBNRR for the
 22 quarters ended April 30, 2023, July 31, 2023, and October 31, 2023 increased from 128% to 130%,
 23 124% to 129%, and 124% to 128%, respectively, but all prior quarter disclosures were unchanged.

24 57. On December 4, 2023, GitLab hosted an investor conference call to discuss its
 25 financial results for the third quarter of fiscal year 2024 ("3Q24 Earnings Call"). During the
 26
 27
 28

1 question-and-answer segment of the call, Defendant Robins was asked about the strong
 2 improvement in net retention during the quarter, to which he responded, in pertinent part:

3 [W]e've made a change in the way that we've calculated dollar-based net retention
 4 rate this quarter to better reflect the business itself. And so this quarter, if you did
 5 the old way, be flat, 124% to 124%, but the new way basically takes into account
 6 the account hierarchies. The old way that we did it actually kept a static view of
 7 parent accounts. And if there is a merger, a new subsidiary, division being shut
 8 down or something, it actually showed a churn and then a new business. And so the
 9 change that we made, it's important to note, doesn't change the business at all. It
 10 just shifts between growth and new to give a better reflection of what's going on in
 11 the business.

12 **B. GitLab Prioritizes AI in the DevOps Process**

13 58. At its core, artificial intelligence (AI) is a set of techniques for building various
 14 types of statistical models that can be used to predict probabilities and answer questions based on
 15 the knowledge accumulated.

16 59. AI in the DevOps process refers to the application of artificial intelligence and
 17 machine learning to enhance and automate various aspects of the software development lifecycle.
 18 This can include everything from code development and testing to deployment and monitoring.
 19 By leveraging machine learning (“ML”) algorithms, natural language processing, and predictive
 20 analytics, AI can optimize workflows, predict potential issues, and facilitate decision-making
 21 processes. By replacing some of their manual processes with automated, AI-powered solutions,
 22 DevOps teams can improve product quality and more effectively manage their systems.

23 60. While AI may offer numerous benefits, its integration into the DevOps process also
 24 presents challenges. For example, AI models rely on high-quality data to make accurate predictions.
 25 Poor data quality can lead to unreliable results and erroneous decisions. Implementing AI-driven
 26 solutions requires expertise in both AI and DevOps, making the integration process complex and
 27 resource-intensive. Additionally, the use of AI in the DevOps process involves handling highly
 28 sensitive data, raising concerns about data security and privacy.

29 61. On May 23, 2022, GitLab released its next major iteration of its DevOps platform,
 30 GitLab 15, bringing forward its various DevOps capabilities into one platform. The Company
 31 provided, in pertinent part, “We believe upcoming releases will enhance the platform’s capabilities

1 in solution areas including visibility and observability, continuous security and compliance,
 2 enterprise agile planning, and workflow automation and support for data science workloads.”

3 62. On September 6, 2022, during the Company’s investor conference call to discuss
 4 the financial results for the second quarter of fiscal year 2023, Defendant Sijbrandij highlighted
 5 the “new advancements in GitLab 15” and described GitLab’s “3 main areas of innovation across
 6 the DevOps life cycle,” including the use of AI and machine learning stating, in pertinent part:

7 This area is particularly exciting because it makes our product better, and it enables
 8 us to broaden the appeal of our platform to even more use cases and personas. To
 9 illustrate how we are leveraging AI to improve the product, we now have a feature
 10 where GitLab will suggest to developers who should review their code. They can
 11 find an expert who can provide better feedback, which creates more efficiency as
 12 well as higher-quality, more secure code.

13 To invite more personas to the platform like data scientists, we are also integrating
 14 the DevOps process with the MLOps process. We see this as the next big step in
 15 consolidating historically separate development workflows. Today, machine
 16 learning is an essential part of modern application development. Every significant
 17 application is going to have both code and models. Those models go through a life
 18 cycle themselves, which includes training, testing and deploying. Data scientists
 19 and engineers are critical stakeholders in this process, yet traditionally, they have
 20 been excluded from the collaboration and efficiency benefits of DevOps and
 21 automation, relying on either manual processes or bespoke toolchain that they need
 22 to maintain.

23 The benefits of our platform will help data scientists and engineers in a number of
 24 ways: from collaboration with other teams, planning and managing project sprints,
 25 version control for automated workflows, streamline testing and validation and
 26 simplified infrastructure management across multiple cloud providers. We are
 27 excited about the significant amount of innovation on our platform from enterprise
 28 agile planning to security to compliance to AI and machine learning.

29 63. On March 13, 2023, during the Company’s investor conference call to discuss the
 30 financial results for the fourth quarter of fiscal year 2023 (“4Q23 Earnings Call”), Defendant
 31 Sijbrandij again focused attentions on GitLab’s product priorities stating, in pertinent part:

32 Our pace of innovation is widening the competitive moat. We’re confident that we
 33 have the right product priorities to capture even more share in this expanding
 34 market. Our platform is differentiated in a number of ways. We delivered the most
 35 comprehensive DevSecOps platform as a single application. We are open core,
 36 ensuring we are on the leading edge of innovation by building with our global
 37 community of customers and users. Over 3,000 new GitLab capabilities came from
 38 the wider community contributions in the last year alone. We have security natively

1 integrated in our platform built in, not bolted on. We're cloud agnostic. We're not
 2 incentivized to push customers to use any cloud provider. So our customers don't
 3 fear vendor lock-in, and we offer flexibility, different deployment options,
 4 satisfying the needs of the most complicated compliance and security requirements
 5 across all sectors.

6 Our current product priorities are all about building on this differentiation and
 7 strengthening GitLab's position as the most comprehensive DevSecOps platform.
 8 And they are, number one, continue integrating advanced security and compliance.
 9 This strengthens our ultimate offering and helps customers bring software supply
 10 chain security to the forefront of software development. Number two, deepen native
 11 integration of observability, analytics and user feedback. This gives every
 12 stakeholder in the software development life cycle, the data and insight they need
 13 to unlock the value of their software investment. And third, expand to new use cases
 14 and audiences with artificial intelligence and machine learning. Here's an update
 15 on what we've accomplished since our last call.

16 ****
 17

18 AI clearly represents a major technological wave. I fundamentally believe that AI
 19 will revolutionize DevSecOps platforms. However, AI isn't a department. It's not
 20 a stand-alone capability it weaves through every function, every department and
 21 every persona involved in developing, securing and operating software.

22 We are pursuing AI as a fundamental and integrated part of the DevSecOps
 23 platform. First, we use AI to make GitLab's DevSecOps platform, automate
 24 mundane tasks and reduce the cognitive load for our customers. We are creating
 25 AI-assisted capabilities for everyone in the software delivery workflow. These
 26 improved productivity and efficiency.

27 Let me provide some examples. Suggested Reviewers, which we launched last
 28 September, automatically suggests the best available reviewer for code change.
 1 This capability removes the guesswork by ensuring the right reviewer with the right
 2 contextual knowledge is reviewing code changes so that customers can deploy
 3 software more efficiently. Our customers have told us that they absolutely love this
 4 new feature because it minimizes delays and leads to better reviews. They now have
 5 more confidence in the code they deploy. Already they have leveraged suggested
 6 reviewers tens of thousands of times to more efficiently and securely review code
 7 on our platform.

8 GitLab code suggestions, which we launched this past February, increases
 9 developer speed and productivity by providing code suggestions in their integrated
 10 development environment. We plan to add new AI capabilities throughout the
 11 DevSecOps life cycle. For example, we are developing an intelligent code security
 12 solution to reduce the risk due to insecure coding practices. We anticipate an
 13 intelligent code security will automatically detect and remediate code quality and
 14 security vulnerabilities. Second, we make it easier for customers to incorporate AI
 15 into their applications faster. We are working on integrating this model up solution
 16 into the GitLab DevSecOps platform to empower customers to build and integrate

1 data science workloads and extend DevSecOps workflows to AI and machine
 2 learning workloads.

3 In summary, AI is going to dramatically change the way teams work, and the way
 4 organizations develop secure and operate software. We believe we will be on the
 5 leading edge of it, applying the same value of iteration that has led to the creation
 6 of the most comprehensive DevSecOps platform. We updated our pricing to reflect
 7 the significant enhancements we delivered over the past several years.

8 64. During the question-and-answer segment of the same call, analyst Matthew George
 9 Hedberg of RBC Capital Markets, asked Defendant Sijbrandij about his thoughts on generative AI,
 10 naming GitLab's competitor GitHub and its AI-product, Copilot, to which Sijbrandij replied:

11 I think AI is a really big change. It will change software, and it will change GitLab
 12 as a platform. It's -- the biggest impact is how fast people can use the platform. So
 13 our strategy for AI is more than just code suggestions. We think AI will change not
 14 just our code, but it will change how you classify issues, how you summarize
 15 suggestions how you hand over your work to someone else. So we're going to have
 16 AI features throughout the platform. For example, AI and security with intelligent
 17 code security in workflow automation. And we're making rapid progress on that.
 18 We have the Suggested Reviewers, which will soon be generally available. We
 19 have the code suggestions right now in closed beta, but we're working on many
 20 more AI-powered features.

21 Apart from that, we also want to empower our customers to add AI to their
 22 applications. So our model ops functionality already allows you to link your AI
 23 experience to GitLab experiments. We'll be expanding this further so our customers
 24 can use AI to make the applications they make with GitLab even better.

25 65. Then, on May 3, 2023, the Company hosted an AI Fireside Chat with analysts and
 26 Defendants Robins and Sijbrandij, showcasing its recent AI-features and partnership investments.

27 66. During the call, Defendants touted the capabilities of GitLab's AI features that
 28 Defendant Robins referred to as "GitLab's differentiators" such that they "help everyone involved
 1 in the software development lifecycle" as opposed to only benefiting developers (like competitor
 2 models). For example, Defendant Robins prompted relevant discussion stating, "[l]et's share other
 3 AI capabilities that are available to customers now and help security and operations personas," to
 4 which Defendant Sijbrandij replied:

5 I'm super excited about the features we have for security and operations. The first
 6 feature that we have out there is Explain This Vulnerability. GitLab helps you
 7 recognize which vulnerabilities might exist in your code. It can now say not just,
 8 hey, you have this vulnerability but also how does that vulnerability work. On top
 9 of that, how do you remediate it, all are driven by AI.

1 Another feature we have is generating tests in merge request. Suppose you fix those
 2 vulnerability. You want to make sure that, that vulnerability never comes back
 again. You want a regression test. AI can help you do that.

3 Last but not least, Explain This Code. For example, if you're in operations, you're
 4 frequently dealing with reviewing new code, like what did this do? What does this
 cause? The AI can help you interpret the code you're seeing.

5 67. Later in the call, Defendant Robins raised the question, "We're hearing from
 6 customers, especially at the enterprise level, about the importance of IP protection. It's a key part
 7 of the vision that you just talked about. Let's dig deeper on what we mean by being privacy first
 8 in AI," to which Defendant Sijbrandij responded:

9 GitLab is trusted by more than 50% of the Fortune 100 to secure and protect their
 10 most valuable assets. We believe that enterprises, especially the heavily regulated
 11 one, need to know their intellectual property is secure. So we're focused on a
 12 privacy-first approach. The protection of what our customers trust us with is at the
 13 forefront of how we will apply AI. For many features that interact with customer
 source code like Code Suggestions and Explain This Vulnerability, we use models
 that reside completely within the GitLab cloud infrastructure to help safeguard the
 customer intellectual property.

14 68. When responding to the question on how AI will impact the total addressable
 15 market and GitLab's business, Defendant Sijbrandij stated:

16 [W]e believe that AI will increase the total addressable market for multiple reasons.
 17 First, in the code creation process, you're seeing new personas get into the code
 18 creation process. We call this sometimes junior or citizen developers. They are
 19 using the platform to contribute. And the developer TAM, who's considered the
 developer, it's expanding. For example, our Code Suggestions makes it easier to
 code.

20 Second, with features like Explain This Vulnerability, we're expanding who can
 21 help with securing software. It's going to expand that persona as well. And third,
 22 we're adding ModelOps capabilities through the DevSecOps platform. That will
 invite data science teams as new personas to use Gitlab, the DevSecOps platform.
 I think that's really exciting.

23 And finally, we see market interest. As AI makes every individual part bigger,
 24 there's more demand for a single application that doesn't have these integration
 25 points between applications that slow everything down, and we believe that will
 expand the DevSecOps platform market.

26 69. During the question-and-answer segment of the call, Defendant Robins was asked
 27 about the Company's monetization plan, specifically whether "you baked anything into your
 28 fiscal '24 guidance for this technology? And is there any framework you can provide to try to size

what the revenue impact might be in fiscal '25?" To which Defendant Robins responded, in pertinent part, "[t]he purpose of today's call is really to go through the features and what we've been doing with generative AI and to go through and show some demos. At a later time, we will go through what the impact will be to outer years' revenue as well as the cost model, but we aren't updating any of the guidance today."

70. Following the Fireside Chat, UBS Securities, LLC published a report noting that "GitLab's 'AI fireside' is partly in response to heightened investor concern that the Company has fallen behind Microsoft at least in this early phase of the generative AI roll-out process." UBS went on to say that during the Fireside Chat, "[t]he company focused heavily on the privacy and security aspect of AI, signaling it is top of mind for customers and GitLab." The report indicated that UBS's checks "corroborated this as a key concern/potential blocker to early adoption."

71. RBC Capital Markets also issued a report following the Company's AI Fireside Chat, highlighting Defendant Sijbrandij's discussion of GitLab's strategy on AI and its role in solving customer pain points and its AI product roadmap. The report noted that, "[w]hile no financial details were given, [RBC] came away with a better appreciation of the role of GAI across the SDLC [software development lifecycle] and GitLab's opportunity to benefit from fast moving trends." In particular, the report focused on management's discussion regarding AI's ability to increase its total addressable market and the different monetization options available to GitLab.

72. Truist Securities also covered the event noting that "Management emphasized the importance of privacy controls for their customers at every stage of the deployment which has been a key focus for enterprises adopting the [AI] technology. The company's long-term strategy with the technology is to integrate it throughout their platform approach rather than to bolt it on as an additional module. Though we do not expect monetization of these features in FY24, we came away incrementally optimistic on the roadmap that management laid out."

73. Then, on May 22, 2023, GitLab announced its newest iteration, GitLab 16, its AI-powered DevSecOps platform. The press release purported that GitLab 16 was to include a wide range of new capabilities in security, compliance, AI/ML, and value stream analytics, enabling customers to ship software faster. GitLab also announced upcoming AI-powered features, Refactor

1 This Code and Resolve This Vulnerability, set to join its “platform-wide capabilities available to
 2 customers now” including Code Suggestions, Explain This Code, Explain this Vulnerability,
 3 Value Stream Forecasting, and Suggested Reviewers. The press release stated, in pertinent part:

4 The current and upcoming updates to GitLab 16 reflect the industry demand for AI
 5 integrated with DevSecOps workflows and the need for organizations to ship secure
 6 software faster, according to GitLab’s 7th annual Global DevSecOps Report,
 7 Security Without Sacrifices. The survey found that 65% of developers are using
 8 artificial intelligence and machine learning in testing efforts or plan to in the next
 9 three years. The report also found that security, efficiency, and automation were the
 top benefits of a DevSecOps platform. The new functionalities released with
 GitLab 16 enable organizations to leverage the power of AI to deliver software
 efficiently, without compromising security.

10 74. Accordingly, leading up to the Class Period, GitLab had laid the groundwork,
 11 positioning itself as a leading competitor in the race to incorporate AI throughout the software
 12 development lifecycle in order to optimize code generation thereby making all levels of software
 13 development more affordable and increasing market demand. As recognized by Defendants, AI
 14 integration spurred significant privacy and data security concerns amongst existing and potential
 15 clients. What set GitLab apart from the rest, according to Defendants, was its one platform design
 16 incorporating security in the DevOps process, allowing the Company to integrate AI-powered
 17 features throughout the software development lifecycle while at the same time protecting highly
 18 sensitive data. As such, Defendants understood investors and analysts were acutely focused on
 19 market demand, customer adoption, and monetization opportunities for the Company’s AI features.

20 **C. GitLab Ups its Premium Tier Pricing by 53%**

21 75. In addition to making a fundamental shift towards encompassing AI technology
 22 across its entire DevSecOps platform, calendar year 2023 (FY 2024) brought big changes in
 23 GitLab’s subscription pricing model.

24 76. On March 2, 2023, GitLab announced a price increase on its Premium tier from \$19
 25 to \$29 per user per month (a 53% increase), effective April 3, 2023. The Company justified the
 26 steep increase providing that, “[s]ince February 2018, we expanded GitLab Premium to include
 27 more than 400 features across the entire software delivery lifecycle so customers can focus on
 28 delivering high-quality software faster.” The press release also explained that existing GitLab

1 Premium customers would have a one-time transition price of \$24 per user per month
 2 automatically applied to their upcoming renewals until April 2, 2024.

3 77. On March 13, 2023, during the Company’s 4Q23 Earnings Call, Defendant
 4 Sijbrandij discussed the Premium price increase attributing the change to the new features offered,
 5 including its AI-powered features, and explained that GitLab “rolled out a significant step to
 6 accelerate [] product-led growth motion” stating:

7 This month, we will begin applying user limits to the GitLab SaaS free tier. With
 8 this change, organizations on our free tier will be limited to 5 users. This gives them
 9 the opportunity to experience the value of a comprehensive DevSecOps platform
 while also driving them to convert to a paid tier if they use it with a larger team.
 We believe this change will drive an even greater adoption of our paid tiers.

10 78. During the question-and-answer segment of the 4Q23 Earnings Call, Defendant
 11 Robins was asked about his “confidence that the price increases would stick” and whether the
 12 increase was already included in the Company’s guidance for FY 2024, to which he responded:

13 Yes. No, thank you for that. So we did include price increase in the guidance. If
 14 you think about the price increase, it’s for Premium. And so it doesn’t take effect
 15 for existing customers until they come up for renewal. And so you have to actually
 16 roll that -- when the contract actually comes up and then what that revenue impact
 17 will be, we did serve a stair set for existing customers. And then when you look at
 18 new customers, the majority of our bookings within a quarter is from our existing
 19 customers, so that’s a smaller amount. So we did factor that in. And then prior to
 implementing the price increase, we went out and did a lot of market studies and so
 forth on what the right price would be based on the number of features that we
 brought to market over the last 5 years.

20 79. As discussed above, the average term for GitLab’s subscription contract is roughly
 21 15 months. At the time, Premium subscriptions accounted for roughly 60% of GitLab’s revenue.
 22 In addition, historically 80% of GitLab’s quarterly revenue growth comes from existing customer
 23 expansion and 20% new orders. Accordingly, GitLab presented the Premium price increase as
 24 having more of a long-term impact under its ratable business model.

25 80. Analyst covering GitLab understood the Premium price increase as a positive for
 26 fiscal year 2025. For example, on March 14, 2023, FBN Securities, Inc. issued a report entitled,
 27 “GTLB: Headwinds Seen in F2024, but F2025 Should Benefit from Recent Premium Price
 28 Increase as Margins Expand Further,” in which FBN highlighted the one-time transition price for

1 existing Premium customers and provided expectations that this price increase would have more
 2 of a revenue impact in FY 2025 than FY 2024.

3 81. On March 22, 2023, Piper Sandler issued a report following a series of investor
 4 meetings with Defendant Robins to discuss, *inter alia*, the recent spotlight on AI and its impact on
 5 DevOps and the timing and impact on the Company's business model following its recent price
 6 increase. Reflecting on these recent discussions, the report noted, in pertinent part, that the "impact
 7 of price increase layers in more in F'25 and F'26" explaining that GitLab's recent price increase
 8 came with "a two-year phased increase for existing Premium customers (\$5 increase per year)."

9 82. On April 13, 2023, Needham & Company, LLC issued a report further breaking
 10 down the nominal revenue benefit from the Premium price increase in FY 2024, with a greater
 11 impact in FY 2025 and an additional tailwind to FY 2026. The report included a screenshot taken
 12 of GitLab's website on April 12, 2023, showing that, in addition to offering transition pricing to
 13 existing Premium customers, the Company was also offering, for a limited time, new Premium
 14 customers the same one-time transition offer of \$24 per user per month for one year subscription,
 15 with discounts auto-applied at the customer's next renewal date occurring within the first year.

16 83. On April 16, 2023, Truist Securities issued a report entitled, "Under the Microscope:
 17 Updating our Current Thoughts on GitLab," diving into, *inter alia*, the Company's recent price
 18 increase and focused investment in developing AI features. When discussing the Premium price
 19 increase the report stated that:

20 The pricing changes that GitLab rolled out in early April are the key driver in the
 21 fundamental story for the company here. Over the course of the next year as the
 22 renewals come through we anticipate that the potential ARR uplift from the
 23 intermediate pricing for Premium customers alone could drive as much as \$50M -
 24 \$70M in ARR upside to current Street numbers through FY25. Although it is too
 25 early to know the full impacts of the pricing change, we note that the company did
 26 not allow early renewals which removes a pull forward effect from current
 27 customers in 1Q24 and smooths the model trajectory in FY25.

28 84. Accordingly, leading into the Class Period, GitLab positioned the Premium price
 29 increase as having a nominal impact on the current fiscal year ending January 31, 2024 (FY 2024)
 30 with most realized gains to come the following fiscal year ending January 31, 2025 (FY 2025).
 31 Under the Company's ratable business model, growth in the Premium tier in FY 2024 was expected

1 to reflect two-fold in FY 2025 based on the tiered pricing model. Defendants were aware investors
 2 and analysts alike were acutely focused on customer behavior and the long-term impact the
 3 Premium price increase could have on GitLab's bottom line.

4 **D. Defendants Concealed Weak Market Demand for GitLab's AI-Powered
 5 Features and Pricing Sensitivity for Its Premium Tier**

6 85. On June 5, 2023, the first day of the Class Period, the Company silenced concerns
 7 regarding its previously announced FY 2024 guidance reporting stronger than expected financial
 8 results and touting Gitlab's fast-paced AI innovation driving revenue growth opportunities.
 9 Defendants also introduced GitLab's much anticipated paid add-on for its AI-powered features,
 10 GitLab Duo, expected to be priced at \$9 per user per month when made available later in the year.

11 86. Later that day, GitLab hosted an investor conference to discuss the financial results
 12 for the three-month period ended April 30, 2023, the first quarter of fiscal year 2024, during which
 13 Defendant Sijbrandij promoted GitLab's quarter accomplishments in AI development claiming
 14 that “[i]n 1Q, we delivered 5 new AI features. And in the first half of May alone, we delivered 5
 15 additional features. All of these are available to customers now, and we continue to iterate on Code
 16 Suggestions … available on gitlab.com for all users while in beta.” He went on to say that “AI is
 17 not only changing how software is developed, it’s also amplifying the value of having a
 18 DevSecOps platform. DevSecOps is a category that we created, and we’re seeing it enter a
 19 mainstream adoption phase.” Sijbrandij highlighted purported “conversations with senior-level
 20 customers” had during the quarter that seemingly supported GitLab’s push to incorporate AI
 21 throughout the entire software development lifecycle.

22 87. During the same call, Defendant Robins discussed the Company’s Premium price
 23 increase, reiterating that it was “to have minimum impact in FY ’24 with greater impact in FY ’25
 24 and beyond.” Defendant Robins went on to add, “[t]he price increase, which took effect on April
 25 3, is going as planned. We only had 1 month of renewals impacted by the price increase in the
 26 quarter. To date, customer churn is unchanged for the Premium customers who renewed in April,
 27 and our average ARR per customer increased in line with our expectations.”

28

1 88. That same day, D.A. Davidson & Co. issued a report entitled, “Bounceback
 2 Quarter,” highlighting how GitLab “reported a good start to the FY24 with a beat and raise across
 3 the board as growth was better than feared. GitLab has released ten AI features this year which
 4 remain in the early phase of adoption and management emphasized demand from customers for
 5 an entire DevSecOps platform to handle compliance and security requirements.” The analyst group
 6 also raised its price target to \$45 from \$30 “on higher estimates as GitLab benefits from Generative
 7 AI tailwinds.” The report also noted that GitLab stock after hours was nearly back to where it was
 8 before the steep FY 2024 revenue deceleration guidance was during the 4Q23 Earnings Call.

9 89. Piper Sandler & Co. also issued a report on June 5, 2023 noting that, “[s]trong 1Q
 10 results exceeded expectations as top line beats by widest margin in past year and operating margins
 11 top forecast with unit economics continuing to improve.” The report highlighted that GitLab
 12 “remains bullish on AI opportunity and has quickly shifted to embedding more capabilities into
 13 platform, driving our continued confidence in ability to execute on GenAI opportunity.”

14 90. Throughout the Class Period, Defendants continued to provide overwhelmingly
 15 positive statements to investors concerning, *inter alia*, the capabilities of its AI-powered features,
 16 market demand for AI integration at every phase of the software development lifecycle generating
 17 expanded monetization opportunities, and customer acceptance and adoption of its new AI features
 18 and pricing models, and as a result, disseminated materially false and misleading information
 19 and/or concealed material adverse facts regarding GitLab’s revenue growth in FY 2025.

20 91. For example, during GitLab’s investor conference call to discuss the financial
 21 results for three-month period ended July 31, 2023, the second quarter of fiscal year 2024, held on
 22 September 5, 2023, Defendant Sijbrandij touted the Company’s purportedly then-existing AI
 23 capabilities and described GitLab as having “a commitment to privacy and transparency in our use
 24 of AI, and we also deliver AI throughout the entire software development life cycle.” When
 25 discussing GitLab’s strong second quarter results, Sijbrandij claimed “[t]hey demonstrate
 26 continued momentum and solidify our category leadership. With our recent analyst and customer
 27 validation, we are well positioned to win in the estimated \$40 billion market opportunity. I’d like
 28 to thank our customers for trusting GitLab.”

1 92. During the same call, Defendant Robins presented past and current customer
 2 response to the Premium price increase as supportive of future growth stating “[i]n the first 4
 3 months post launch, customer behavior was in line with our expectations. As a reminder, we
 4 anticipate minimal impact to our financials from this change in the current year. We expect the
 5 price increase to have a much larger impact in FY ’25 and beyond.”

6 93. During the Company’s investor conference call to discuss the financial results for
 7 the three-month period ended October 31, 2023, the third quarter of fiscal year 2024, held on
 8 December 4, 2023, Defendant Sijbrandij continued to promote GitLab’s AI integration supporting
 9 expanded monetization opportunities claiming, “Our approach to AI is resonating with our
 10 customers... We’re excited to see the benefits of GitLab’s AI features across the entire value chain,
 11 and even our most seasoned engineers are seeing value.”

12 94. During the same call, Defendant Robins noted some changes in customer behavior
 13 during the quarter, pointing to longer sales cycles, claiming that “in the mid-market and SMB, we
 14 see customers continue to be cautious in an uncertain macro environment.” Nevertheless, he
 15 continued to promote GitLab’s AI development and the Premium price increase as key contributors
 16 to GitLab’s future growth stating, in pertinent part, “[t]here are a number of drivers we believe
 17 will fuel our business in FY ’25 and beyond. At our core, continuing to deliver customer value
 18 with our DevSecOps platform aligns our success with our customers’ success. Additionally, in
 19 April this year, we raised the price of our Premium tier for the first time in 5 years. Thus far,
 20 customer behavior has been in line with our expectations.”

21 95. Contrary to Defendants’ representations: (1) GitLab’s AI features did not possess
 22 the capabilities they expressed publicly; (2) the Company’s AI features had not been made widely
 23 available to customers when announced; (3) demand for AI integration throughout the software
 24 development lifecycle was weak due to security and data privacy concerns; (4) customer feedback
 25 regarding the AI-powered features that were made available was largely negative; (5) customers
 26 did not see AI integration as a value add hindering expanded monetization opportunities; (6)
 27 GitLab was already experiencing significant slowed or stalled net seat expansion due to pricing
 28 sensitivity following the Premium price increase; and (7) as a result, declining growth under the

1 Premium tier, coupled with the slow customer adoption of GitLab's AI-powered features and weak
 2 market demand for AI integration throughout the software development lifecycle, significantly
 3 reduced GitLab's potential for revenue growth in FY 2025 under its ratable business model.

4 96. The accounts of GitLab's former employees described below corroborate factual
 5 allegations regarding the delayed deployment and unmatched capabilities of GitLab's AI features,
 6 in addition to weak market demand for AI integration, negative customer feedback, and rejection
 7 of the Company's pricing model, resulting in the announcement of lower-than-expected FY 2025
 8 guidance based on needing additional time to "build out its build out its pipeline and close deals."

9 97. Specifically, FE2 described their role in the Company as being the point of contact,
 10 along with GitLab's account executives, for its strategic accounts. FE2 stated that they helped with
 11 escalating and triaging these strategic accounts' issues with GitLab products and helped with
 12 making sure they were adopting the platform along with any upselling or add-on opportunities.
 13 FE2 explained that in this role they partnered with account executives and solutions architects to
 14 ensure GitLab customers were able to maximize their return on investment.

15 98. When asked about GitLab's AI product offerings, FE2 explained that during their
 16 tenure with the Company (August 2022 to July 2023), AI integration was a new feature that was
 17 still in the process of being released and trialed. FE2 recalled that their only exposure to the
 18 Company's AI product offerings was through promotional videos GitLab had its representatives
 19 use to promote the product to customers. According to FE2, customers they worked with (primarily
 20 large enterprise customers) were only shown video demonstrations of the different possibilities of
 21 GitLab's AI assistance.

22 99. FE1 recalled that, during their tenure (September 2022 to September 2024),
 23 customer feedback regarding the Company's AI-powered features was not great for a long time.
 24 FE1 said that the Company's AI integration throughout the software development lifecycle was
 25 rarely a feature customers were excited about. FE1 went on to say GitLab's suite of AI-powered
 26 features was hard to sell to customers. When asked whether the Company's AI product line was
 27 matching its publicly touted capabilities, FE1 responded by stating it was not there yet.

1 100. FE1 stated that Ms. Kramer, GitLab’s CMO, CSO, and Interim CRO, exaggerated
 2 the Company’s AI capabilities and other GitLab features. This caused turmoil amongst the upper
 3 ranks at GitLab, particularly between Ms. Kramer and the various VPs who ultimately left, FE1
 4 said. FE1 also recalled consistent conflict amongst GitLab’s senior executives, primarily involving
 5 Ms. Kramer and Defendant Sijbrandij, and to a lesser degree, Ms. Kramer and Defendant Robins.

6 101. Accordingly, Defendants created the false impression that they possessed reliable
 7 information pertaining to the Company’s ability to develop and incorporate AI throughout the
 8 software development cycle in order to optimize code generation thereby increasing market
 9 demand and making all levels of software development more affordable and properly monetizing
 10 its AI features. In truth, there was weak market demand for Gitlab’s touted AI features.
 11 Additionally, as confirmed by post-Class Period events and information, the Company was
 12 experiencing price sensitivity in the Premium tier, especially within the SMB and mid-market
 13 sectors, following its recent price hike. Defendants misled investors by continually highlighting
 14 AI-driven innovations to drive market share demands and ensuring prolonged positive impacts
 15 from the Premium tier price increase.

16 **E. GitLab Reveals Lower-than-Expected Guidance for Fiscal Year 2025**

17 102. On March 4, 2024, GitLab issued a press release reporting strong 4Q24 results
 18 followed by an announcement of lower than expected full-year guidance for FY 2025. Specifically,
 19 the Company reported a quarterly revenue of \$163.8 million, representing a growth rate of 33%
 20 y/y and an annual revenue of \$579.9 million, representing a growth rate of 37% y/y, followed by
 21 the guidance for the full year FY 2025 with an expected revenue of \$725 to \$731 million,
 22 representing a growth rate of approximately 26% y/y.

23 103. The lower-than-expected guidance was also delivered at the same time as the
 24 Company’s announcement that it was now selling Duo Pro – a paid add-on for its AI features like
 25 Code Suggestions, Chat, and other organizational control capabilities – for \$19 per user per month
 26 (\$10 more than its initial target price).

27 104. That same day, GitLab hosted an investor conference call to discuss the 4Q24 and
 28 FY 2024 financial results and FY 2025 guidance, during which Defendants acknowledged that a

1 driving factor of the lower-than-expected guidance was that they were “seeing normalization in
 2 buying behavior” and as a result, their “guidance philosophy” was to be “less conservative this
 3 year than in the first 2 years.” Defendants also announced that the Company needed time to “build
 4 its pipeline and close deals on new products” before they could have a “meaningful impact in
 5 [GitLab’s] ratable business model” – referring to GitLab’s new paid add-ons for its AI-powered
 6 features. The messaging regarding the Premium price increase also shifted with Defendants
 7 declaring that the impact in FY 2026 would be bigger than FY 2025.

8 105. In addition, Defendant Robins reminded investors that every year, GitLab evaluates
 9 its stand-alone selling price or SSP, which determines its upfront revenue recognition rate for
 10 license revenue. At that time, GitLab had not finished its SSP analysis for FY 2025, so Defendants
 11 had not factored any change to SSP in the FY 2025 guide. Defendant Robins announced that they
 12 would share an update at the next earnings call once they had the results of the SSP analysis.

13 106. Investors reacted immediately to GitLab’s revelations. The price of GitLab’s
 14 common stock declined dramatically. From a closing market price of \$74.47 per share on March
 15 4, 2024, GitLab’s stock price fell to \$58.84 per share on March 5, 2024, a decline of about 21% in
 16 the span of just a single day.

17 107. Despite this precipitous decline in the Company’s stock price, confusion regarding
 18 the underlying contributors to GitLab’s soft guide remained in the market. For example, during
 19 the question-and-answer segment of the call, analysts questioned whether customer buying
 20 behavior relating to the Premium price increase in FY 2024 factored into the “conservative”
 21 guidance for FY 2025 with little clarity provided by Defendants.

22 <Q: James Derrick Wood – Analyst> I guess in the context of this, it looks like
 23 your guidance of 25% to 26% revenue growth for fiscal ’25 would be conservative.
 24 So just 2 questions. Are there any drags in the model we should be aware of that
 25 may not be reflected in the backlog or the trailing 12-month NRR numbers? And then is it fair to say you think that growth tailwinds from pricing and from AI will
 be higher in fiscal ’26 versus fiscal ’25?>

26 <A: Brian G. Robins> The points that you made obviously are all true and valid.
 27 The revenue growth of 33% are guided 26% next year. That factors in the buying
 28 behavior and the normalization that we’ve seen in the market. We do have a ratable
 model. And then being a -- entering our third year as a public company, that’s when

1 we're -- we said our guidance was to be less conservative than the prior 2 years.
 2 And so I think the setup with the new products and the normalization of buying
 3 behavior as well as the metrics that we put up this quarter is a good setup for next
 4 year.

5 . . .

6 <Q: Jason Noah Ader – William Blair – Analyst> Brian, just trying to square, I
 7 guess, with everybody else the guidance with the less conservative posture
 8 comment. In particular, if NRR is trending up and is around 130%, doesn't this
 9 imply that NRR would have to decline from here for revenue growth to be in the
 mid-20s?

10 <A: Brian G. Robins> There's a number of factors that go into our guidance. We
 11 build it from a bottoms-up perspective. And I would just say that what we reported
 12 was actuals and what we're guiding to is guidance, right? So it's not comparing
 13 apples to apples.

14 108. A number of well-known analysts following Gitlab commented on the Company's
 15 disclosures. For example, on March 5, 2024, Needham & Company, LLC reported that GitLab
 16 was "quick to call out that new offerings are captured in the guidance, but Revenue contribution
 17 will be slow to ramp due to GitLab's ratable Subscription-based model." Needham also
 18 highlighted how "Management did not directly quantify the benefit from the Premium price
 19 increase to FY24" but "maintained its previous view that the pricing change will generate an
 20 incremental \$10 Million to \$20 Million in Revenue" in FY2025, "with a larger Revenue tailwind
 21 expected in FY26." Another analyst, Scotiabank Global Equity Research, reported "[w]e think the
 22 main debate now turns to how much of the strength in 4Q was driven by the premium pricing
 23 change vs. better execution/improving macro conditions...Furthermore, mgmt. noted they expect
 24 more contribution from the price increase as well as new SKUs (Duo, EAP, etc) in FY26 vs. FY25."

25 109. Accordingly, GitLab's May 4, 2024 announcement of the lower-than-expected FY
 26 2025 guidance, at the same time as the price increase of its paid add-on, GitLab Duo, revealed that,
 27 contrary to Defendants' Class Period representations, the Company had struggled to sell its
 28 customers on the value add of its AI-powered features in FY 2024 and signaled that market demand
 remained weak requiring additional time to build out its pipeline and properly monetize GitLab's
 AI features. The confusion that remained related to the impact of the Premium price increase.

29 110. While Defendants identified "seeing normalization in buying behavior" as a
 30 contributing factor to the soft guide, they continued to mislead the market by omitting material

1 adverse information relating to pricing sensitivity in its Premium tier. Defendants failed to disclose
 2 that throughout FY 2024, GitLab experienced significant slowed or stalled net seat expansion. This
 3 was pronounced in the SMB and mid-market sectors, which accounted for 30% of the Company's
 4 revenue. GitLab's sustained decline in seat expansion under its Premium tier – representing
 5 between 56% to 60% of total ARR in FY 2024 – adversely impacted its potential revenue growth
 6 in FY 2025 under the tiered pricing model of the Premium price increase and significantly
 7 increased the risk of DBNRR contraction under its ratable business model.

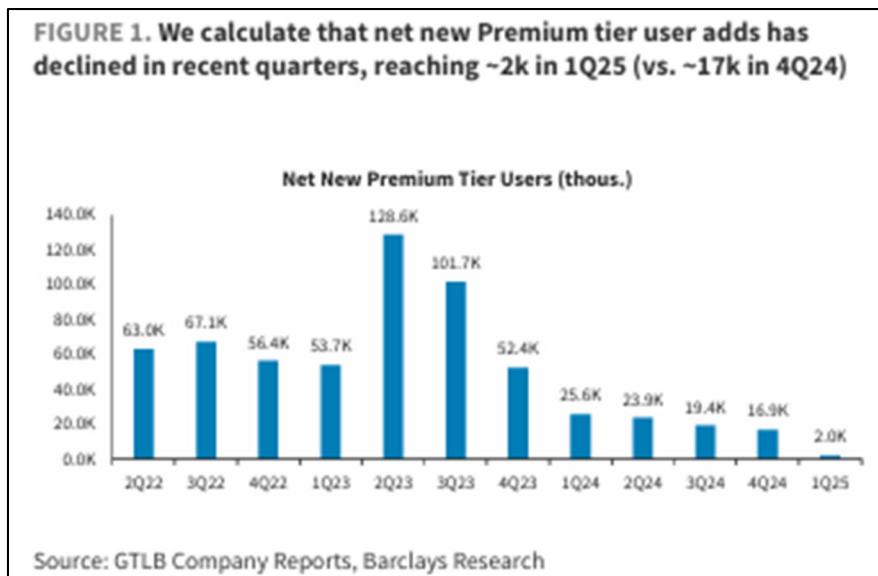
8 111. Then, during after-market hours on June 3, 2024, GitLab issued a press release
 9 announcing its financial reports for the first quarter of fiscal year 2025. In pertinent part, GitLab
 10 announced that it had completed its SSP analysis which had resulted in an estimated \$4 million
 11 headwind to FY 2025 revenue guidance relative to the initial guidance revealed on March 4, 2024.
 12 GitLab also revealed that for the first quarter of 2025, its ARR increased approximately 21% y/y
 13 (landing 5 points below consensus growth expectations), this compares to a growth rate of 37%
 14 y/y in the prior quarter. In addition, GitLab's DBNRR dropped sequentially by 1 point to 129%.

15 112. In response, the price of GitLab securities declined from the closing market price
 16 of \$47.07 per share on June 3, 2024, to \$44.75 per share at close on June 4, 2024, a drop of nearly
 17 5% in a single day.

18 113. Analysts covering GitLab commented on these revelations. For example, on June
 19 3, 2025, J.P. Morgan issued a report which noted that while GitLab raised its FY 2025 revenue
 20 guidance following 33% revenue growth y/y in the first quarter, the revenue beat was lower than
 21 usual and the Company "didn't raise the FY pricing benefit assumption and nor did it reiterate it."
 22 Following these disclosures, J.P. Morgan lowered its price target and remained "Neutral" rated.

23 114. On June 4, 2025, Barclays Capital Inc. issued a report entitled, "1Q25 Earnings:
 24 Debate on 2H Upside After Slimmer 1Q Beat: Margins and Ultimate tier adoption were positives,
 25 though GTLB starts to lap contributions from its Premium tier price increase from here." Barclays
 26 noted GitLab's "weaker rev[enue] beat (~2% vs. ~4% in 4Q and ~7% in 3Q) and billings growth
 27 of ~21% YoY coming below Street consensus (27%)" and while it did raise the FY 2025 guidance,
 28 the increase prompted questions "regarding the upside to rev[enue] for the remainder of the year

(especially against tough comps due to receiving more benefits from its price increase in 2H24).” In the report, the analyst also noted that based on its calculations “GTLB added fewer net new Premium Tier customers in 1Q25 (via our ex-pricing impact math), potentially reflecting strong SMB headwinds.” The following chart is from this report and shows the trend of declining net seat expansion throughout the Class Period:



115. The fact that these analysts, and others, discussed GitLab’s shortfalls in AI monetization and below-expectation revenue growth from the Premium price increase, as well as the Company’s shockingly conservative guidance suggests the public placed significant weight on GitLab’s statements of prior confidence in their growth strategy dependent on AI integration and the Premium price increase. The frequent, in-depth discussion of GitLab’s guidance confirms that Defendants’ statements during the Class Period were material.

F. Post-Class Period Events Confirming Defendants’ Fraudulent Misconduct

116. On June 25, 2024, the Company issued a press release entitled, “GitLab Survey Reveals Tension Around AI, Security, and Developer Productivity within Organizations.” The press release explained that, in April 2024, GitLab surveyed over 5,300 chief experience officers (“CxOs”), IT leaders, developers, and security and operations professionals worldwide on their successes, challenges, and main priorities for implementing DevSecOps. In pertinent part, the Company purported that of the global CxOs surveyed, 69% said they were shipping software at

1 least twice as fast as a year ago, however, only 26% of respondents reported implementing AI. In
 2 addition, the Company's report showed that 56% of CxOs said introducing AI into the software
 3 development lifecycle is risky, and 40% of individual contributors cited concerns about privacy
 4 and data security as a top obstacle to using AI in the software development lifecycle.

5 117. Accordingly, GitLab's survey evidenced that customers were reluctant to adopt AI
 6 features across all areas of the software development lifecycle, as alleged by FE1. The report also
 7 indicates that the leading hinderance to AI adoption was privacy and data security concerns, issues
 8 Defendants held themselves out as knowledgeable of since before the Class Period began.

9 118. On July 1, 2024, GitLab began offering a "SMB Premium Tier" for \$19 per user
 10 per month, essentially rolling back its April 2023 Premium price increase to \$29 per user per month
 11 for customers accounting for roughly 30% of its total ARR.

12 119. In addition, despite raising its add-on price from \$9 per user per month to \$19 per
 13 user per month at the end of the Class Period, the Company began offering GitLab Duo Pro – its
 14 suite of AI-powered features – for 60 days Free to new and existing customers, signaling continued
 15 weak market demand for AI-powered features in the DevOps process.

16 120. On July 2, 2024, Barclays Capital Inc. reported on GitLab's SMB Premium offer
 17 commenting that, "the new pricing could be a reflection of GTLB's Premium tier pricing
 18 (\$29/user/month) being slightly higher hurdle for smaller businesses" and when discussing its offer
 19 of free access to Duo Pro, Barclays noted that, "Duo adoption is critical to the GTLB bull case
 20 from here." The report went on to highlight GitLab's 1Q25 results, namely the steep decline of net
 21 new Premium tier users in the quarter, attributing the loss to stronger SMB headwinds.

22 121. Then, on September 10, 2024, GitLab presented at the Piper Sandler Growth
 23 Frontiers Conference. During the conference, when Defendant Robins was asked about the impact
 24 of the Premium price increase, he acknowledged for the first time that GitLab has "actually seen a
 25 little price sensitivity [] in SMB and mid-market" resulting in lower Base Customers added.

1 122. The chart below shows GitLab's quarterly report of (1) customers with at least
 2 \$5,000 in ARR, (2) the growth rate of its Base Customers year-over-year, (3) the number of Base
 3 Customers with \$100,000 or more in ARR, and (4) its DBNRR (under new methodology):

| Reporting Period | >\$5K ARR Customers | Growth Rate Y/Y | >\$100K ARR Customers | DBNRR |
|-------------------------|-------------------------------|------------------------|---------------------------------|--------------|
| January 31, 2021 (4Q21) | 2,745 | - | 283 | >145% |
| April 30, 2021 (1Q22) | 3,142 | - | 324 | >130% |
| July 31, 2021 (2Q22) | 3,632 | - | 383 | >130% |
| October 31, 2021 (3Q22) | 4,057 | 66% | 427 | >130% |
| January 31, 2022 (4Q22) | 4,593 | 67% | 492 | >152% |
| April 30, 2022 (1Q23) | 5,168 | 64% | 545 | >130% |
| July 31, 2022 (2Q23) | 5,864 | 61% | 593 | >130% |
| October 31, 2022 (3Q23) | 6,469 | 59% | 638 | >130% |
| January 31, 2023 (4Q23) | 7,002 | 52% | 697 | 133% |
| April 30, 2023 (1Q24) | 7,406 | 43% | 760 | 130% |
| July 31, 2023 (2Q24) | 7,815 | 33% | 810 | 129% |
| October 31, 2023 (3Q24) | 8,175 | 26% | 874 | 128% |
| January 31, 2024 (4Q24) | 8,602 | 23% | 995 | 130% |
| April 30, 2024 (1Q25) | 8,976 | 21% | 1,025 | 129% |
| July 31, 2024 (2Q25) | 9,314 | 19% | 1,076 | 126% |
| October 31, 2024 (3Q25) | 9,519 | 16% | 1,144 | 124% |

19 123. DBNRR is a trailing 12-month metric that compares the Company's total ARR
 20 derived from its customers over the last 12 months with the ARR from the same cohort of
 21 customers during the prior 12-month period – including any upsells, price adjustments, user growth
 22 within a customer (*i.e.*, expansion), contraction, and attrition. The chart shows that GitLab's
 23 declining revenue growth and DBNRR compression continued throughout FY 2025, thereby
 24 contradicting Defendants' public statements (as discussed below in Section VI, *infra*) and
 25 providing evidence of intentional and/or reckless disregard as to the risk of misleading investors
 26 given Defendants' awareness of its own internal metrics (as discussed below in Section VII., *infra*).
 27
 28

VI. DEFENDANTS' MATERIALLY FALSE AND MISLEADING STATEMENTS

124. Throughout the Class Period, Defendants made false and misleading statements and/or failed to disclose material adverse facts about GitLab’s business, operations, and prospects. Specifically, Defendants misrepresented and/or failed to disclose to investors that: (1) GitLab’s AI features did not possess the capabilities expressed publicly; (2) the Company’s AI features had not been made widely available to customers when announced; (3) demand for AI integration throughout the software development lifecycle was weak due to security and data privacy concerns; (4) customer feedback regarding GitLab’s AI-powered features that were made available was largely negative; (5) customers did not see AI integration as a value add hindering expanded monetization opportunities; (6) GitLab was already experiencing significant slowed or stalled net seat expansion due to pricing sensitivity following the Premium price increase; and (7) as a result, declining expansion growth under the Premium tier, coupled with the slow customer adoption of GitLab’s AI-powered features and weak market demand for AI integration throughout the software development lifecycle, significantly reduced GitLab’s potential for revenue growth in FY 2025 under its ratable business model. When the truth underlying each of the false and misleading statements set forth below was revealed to the market, the price of GitLab securities plummeted.

June 5, 2023

125. On June 5, 2023, GitLab issued its earnings report for the three-month period ended April 30, 2023, the first quarter of fiscal year 2024 (“1Q24 Earnings Report”), filed with the SEC as Exhibit 99.1 to Form 8-K, signed by Defendant Robins.

126. The report provided GitLab's "Business Highlights" which included, in pertinent part: "Announced AI-powered workflows in a single DevSecOps platform with the introduction of Code Suggestions, AI-assisted vulnerability guidance, and Value Streams Dashboards to improve developer productivity across every phase of the software development lifecycle."

127. In the 1Q24 Earnings Report, Defendant Sijbrandij is quoted as saying, “With AI revolutionizing how companies develop, secure, and operate software, we believe GitLab is positioned as the leading AI-powered DevSecOps platform[.] … Today, we deliver more AI-powered capabilities to customers than any other DevSecOps platform.”

1 128. Defendant Robins is quoted as saying, “Against a backdrop of macroeconomic
 2 uncertainty, customers are looking to our AI-powered DevSecOps platform to drive efficiencies,
 3 increase productivity, and accelerate their pace of innovation. We are poised to make the most of
 4 the estimated \$40B total addressable market opportunity before us.”

5 129. The statements identified above are false and/or materially misleading such that
 6 Defendants created the false impression that they possessed reliable information pertaining to
 7 GitLab’s ability to develop and incorporate AI throughout the software development lifecycle
 8 thereby increasing market demand and making all levels of software development more affordable
 9 and properly monetizing its AI-powered features. In truth, as corroborated by FE1 and FE2,
 10 GitLab’s AI features did not possess the capabilities expressed and had not been made widely
 11 available to customers, GitLab’s customers did not see its AI-powered features as a value add, and
 12 there was weak market demand for GitLab’s touted AI integration throughout the software
 13 development lifecycle, as confirmed by GitLab’s post-Class Period survey.

14 130. Later that day, GitLab held the 1Q24 Earnings Call, during which Defendant
 15 Sijbrandij discussed the Company’s recent developments in AI-powered features and the impact
 16 on GitLab’s total addressable market stating, in pertinent part:

17 AI represents a major shift for our industry. It fundamentally changes the way that
 18 software is developed, and we believe it will accelerate our ability to help
 19 organizations make software faster. I’m excited about this new wave of technology
 20 innovation. We continue to focus on incorporating AI throughout our DevSecOps
 21 platform. *We’re innovating at a fast pace. In 1Q, we delivered 5 new AI features.*
And in the first half of May alone, we delivered 5 additional features. All of these
are available to customers now, and we continue to iterate on Code Suggestions.
This feature allows developers to write code more efficiently by receiving code
suggestions as they type. Code Suggestions is available on gitlab.com for all users
while in beta. We expect Code Suggestions will be generally available later this
year. One of the guiding principles with Code Suggestions is to make it available
 24 and accessible to all developers everywhere.

25 *We also extended language support so that more developers can realize the*
benefits of AI on our platform. In 1Q, we increased language support from the
initial 6 languages to now 13 languages. Code Suggestions is uniquely built with
 26 privacy first as a critical foundation. Our customers’ proprietary source code never
 27 leaves GitLab’s cloud infrastructure. This means that their source code stays secure.
 28 In addition, model output is not stored and not used as training data. *AI is not only*
changing how software is developed, it’s also amplifying the value of having a

1 ***DevSecOps platform.*** DevSecOps is a category that we created, and we're seeing
 2 it enter a mainstream adoption phase.
 3 ****
 4

5 ***This quarter, we had many conversations with senior-level customers,*** but one
 6 with the CTO from a top 5 European bank really stands out. At first, we focused on
 7 many of our differentiated features that only a DevSecOps platform can provide.
 8 For example, we talked about the benefits of Value Stream Dashboards, DORA
 9 metrics and compliance on a single platform. When the conversation moved into
 10 AI, a CTO said something extremely interesting. He said code generation is only
 11 one aspect of the development cycle. If we only optimize code generation,
 12 everything else downstream from the development team, including QAs, security
 13 and operations, breaks because these other teams involved in software development
 14 can't keep up. This point, ***incorporating AI throughout the software development
 15 life cycle is at the core of our AI strategy.***

16 ***Today, our customers have the ability to use Code Suggestions for code creation,
 17 Suggested Reviewers for code review, Explain This Vulnerability for
 18 vulnerability remediation, Value Stream Forecasting for predicting future team
 19 efficiency and much more. We're proud to have 10 AI features available to
 20 customers today, almost 3x more than the competition.***

21 ***Applying AI to a single data store for a full software development life cycle also
 22 creates compelling business outcomes. We believe that this is something that can
 23 only be done with GitLab. We see a lot of excitement surrounding AI at the
 24 executive level. We are hearing from customers that AI is motivating them to
 25 assess how they develop, secure and operate software through a new lens.
 26 Enterprise-level companies who may not have been in the market until 2024,
 27 2025, 2026 are reevaluating their strategies.*** On top of that, there's new personas
 28 entering the mix. As chief information security officers navigate this new AI-
 1 powered world, they are working to empower their teams to benefit from AI and
 2 apply appropriate governance, security, compliance and auditability.

3 ***In all, we believe that AI will increase the total addressable market for several
 4 reasons.*** First, AI will make writing code easier which, we believe, will expand the
 5 audience of people, such as junior and citizen developers who build software.
 6 Second, as these developers become more productive, we see software becoming
 7 less expensive to create. We believe this will fuel demand for even more software.
 8 More developers will be needed to meet this additional demand. And third, ***we
 9 expect customers will increasingly turn to GitLab as they build machine learning
 10 models and AI into their applications.*** As we add ModelOps capabilities to our
 11 DevSecOps platform, this will invite data science teams as new personas, and we'll
 12 allow these teams to work alongside their Dev, Sec, and Ops counterparts. We see
 13 ModelOps as a big opportunity for GitLab.

14 ***Expanding the addressable market will also create an opportunity to capture
 15 greater value. Later this year, we plan to introduce an AI add-on focused on
 16 supporting development teams. This new add-on will include Code Suggestions***

1 ***functionality. We anticipate this will be priced at \$9 per user per month billed
2 annually. This add-on will be available later this year across all our tiers.*** All of
3 this innovation accentuates a broader theme for our business: the differentiation
4 between a Dev and DevSecOps platform. We believe that an AI-powered platform
5 focused solely on the developer persona is incomplete. It is missing essential
6 security, operations and enterprise functionality.
7

8 ***Remember, developers spend only a small fraction of their time developing code.
9 The real promise of AI extends far beyond code creation. And this is where
10 GitLab has a structural advantage.*** We are the most comprehensive DevSecOps
11 platform in the market. Features like Code Suggestions and Remote Development
12 are important accelerants for developer efficiency. ***And to date, GitLab has more
13 AI features geared towards developers than our competitors.*** However, that isn't
14 enough. In order to achieve a 10x faster cycle time on projects, enterprises need an
15 end-to-end platform that works across the entire software development life cycle.
16

17 *****
18

19 We also believe ***we're in the early stages of capturing an estimated \$40 billion
20 addressable market,*** a market that we've seen evolve from point solutions to a
21 platform, from DIY DevOps to a DevSecOps platform. ***And AI will speed up
22 different aspects of software creation and development. This, in turn, creates the
23 need for a more robust security, compliance and planning capabilities. In today's
24 era of rapid innovation, the power of a platform like GitLab to enable faster cycle
25 times truly shines.***
26

27 (Emphasis added).
28

131. The statements identified above are false and/or materially misleading such that
14 Defendant Sijbrandij created the false impression that he possessed reliable information pertaining
15 to GitLab's ability to develop and incorporate AI throughout the software development lifecycle
16 thereby increasing market demand and making all levels of software development more affordable
17 and properly monetizing its AI features. In truth, as corroborated by FE1 and FE2, GitLab's AI
18 features did not possess the capabilities expressed and had not been made widely available to
19 customers; GitLab's customers did not see its AI-powered features as a value add; and there was
20 weak market demand for GitLab's touted AI integration throughout the software development
21 lifecycle, as confirmed by GitLab's post-Class Period survey. Likewise, when Defendant
22 Sijbrandij chose to speak about positive interactions with customers about encompassing AI in
23 every phase of the software development lifecycle, he had a duty to disclose that customer
24

feedback regarding GitLab's AI-powered features had been largely negative, as corroborated by FE1.

132. During Defendant Robins' prepared remarks for the 1Q24 Earnings Call, he discussed the financial impact of GitLab's recently implemented Premium price increase, stating:

As we mentioned on the prior call, we raised the price of our Premium SKU for the first time in 5 years. Over that time frame, we added over 400 new features, transitioned from a Dev platform to a DevSecOps platform. We shared that we expected the Premium price increase to have minimum impact in FY '24 with greater impact in FY '25 and beyond. *The price increase, which took effect on April 3, is going as planned. We only had 1 month of renewals impacted by the price increase in the quarter. To date, customer churn is unchanged for the Premium customers who renewed in April, and our average ARR per customer increased in line with our expectations.*

(Emphasis added).

133. The statements identified above are false and/or materially misleading such Defendant Robins created the false impression that he possessed reliable information pertaining to market acceptance of the Premium price increase thereby generating sustained revenue growth opportunities in FY 2025. In truth, GitLab was already experiencing pricing sensitivity following the Premium price increase, especially amongst SMB and mid-market customers, resulting in slowed or stalled net seat expansion and reducing the potential for revenue growth under the Company's ratable business model. Likewise, when Defendant Robins chose to positively promote the Company's renewals and customer churn, he had a duty to also disclose the negative impact the Premium price increase was having on GitLab's net seat expansion for existing customers.

134. During the question-and-answer segment of the 1Q24 Earnings Call, Defendant Sijbranij was asked about GitLab's current AI capabilities and its AI-related revenue opportunities.

<Q: Robbie David Owens Piper Sandler & Co., Research Division – MD and Senior Research Analyst> I'm curious to hear an update on customer conversations. Obviously, a stronger-than-expected quarter, but we are seeing this deceleration, I think, across all high-growth tech companies. So [I don't want to quote] gen AI in the macro, how should we think about pressure on net retention rates, customer acquisition that's coming from customers taking a more prudent approach in the current budgetary environment versus, I guess, rethinking needs for dev head count and reevaluating which dev tools to purchase just given all the gen AI innovations lately?

1 <A: Sytse Sijbrandij> Yes, lots of things to unpack in your question. We see the
 2 macro trends continuing, and that's putting pressure on seat count. That was the
 3 same last quarter, and we anticipate that trend to continue. At the same time, we're
 4 super excited of what the macro is doing to the mindset of customers, because they
 5 say, hey, now we – it's time to consolidate. And at the same time, we see that the
 6 analysts are seeing that, hey, this is consolidating as a market. So we believe that
 7 DevOps platform is going to be the way that people will consolidate. We have the
 8 most comprehensive DevSecOps platform, which is also great if you look at the
 9 application of AI.

10 *We're able to apply AI not just for Code Suggestions but apply it across the entire
 spectrum. We have more than 10 features that we were able to ship. And those 10
 features, they drive value at every part along the stage. And as for how that
 influences the TAM, which you alluded to, we think AI is going to make it easier
 for more people to enter the fray. So we think it was a supply of more people using
 the product.*

11 *At the same time, when you see that software development becomes easier, we
 believe there's going to be more demand for it. Software development used to be
 very expensive. AI makes it more affordable. There's going to be more demand.
 And more demand, again, means more people entering the fray.* And last but
 12 certainly not least, it's an opportunity for us to manage not just the code that
 13 companies have, but also their models. And that's what we do with our MLOps
 14 functionality. We already allow you to run experiments with GitLab. We want to
 15 extend to a full MLOps managed platform where we add the data engineers to the
 16 constituents that use GitLab.

17 ...

18 <Q: James Derrick Wood – TD Cowen – Analyst> And then just from a broader
 19 perspective, how you're thinking about the gen AI-related revenue opportunities in
 20 the quarters ahead?

21 <A: Sytse Sijbrandij> So we're really excited about our partnership with Oracle
 22 Cloud. They have a great customer base. *And what it means is that our customers
 now can now run AI and ML workloads on GPU-enabled GitLab Runners on the
 Oracle Cloud Infrastructure, and that's a great powerful infrastructure.
 Additionally, we're available in Oracle's marketplace, expanding our
 distribution.*

23 ...

24 <Q: Kasthuri Gopalan Rangan – Goldman Sachs – Analyst> I had a question on the
 25 generative AI capabilities. At what point are we looking to -- is there any need for
 26 further differentiation of GitLab versus the competition? This auto code generation
 27 feature that has been made much off, right, is that a real sticking point in
 28 conversations? Do you think the customer base really values and appreciates the
 broader set of AI capabilities that GitLab has to offer?

1 <A: Sytse Sijbrandij> So *we're really fortunate that we have a single application, a single data store for the entire DevSecOps cycle, and we can apply AI to all of them. And that's led us to having 3x as many publicly usable AI features as our competition. That is a big advantage.* As long as at the beginning that, of course, you also need the code suggestions. But having the whole rest make sure that if you get more effective there, it works, and you get a faster cycle time throughout, and that's a really exciting development.

2 ...

3
4
5 <Q: Matthew George Hedberg RBC Capital Markets, Research Division – Analyst>
6 One of the questions that we get [] from investors the most is, does gen AI put
7 pressure on developers -- I think you talked about a little bit in your prepared
8 remarks. But maybe could you put a finer point on sort of the question of P times
9 Q. And does the number of seats go down in the future? Or do you think it stays
9 consistent or maybe even goes up?

10 <A: Sytse Sijbrandij> *Yes. The -- we believe that generative AI will expand the market. So first of all, you make the product easier. Like coding today is hard, and AI makes it easier. So we expect the citizen developers, these junior developers to start coding. That code needs to be managed somewhere. And that is in GitLab.*

11
12 ****

13
14 *One other way to look at it is you have generative AI. It produces more code. All that codes also needs to be secured, also need to put in operations. So if you don't have a good DevSecOps platform, you create a bottleneck at the beginning. That bottleneck is solved with the DevSecOps platform.*

15
16 (Emphasis added).

17 135. During the question-and-answer segment, analyst Karl Emil Keirstead of UBS
18 asked Defendant Robins if the \$9 per seat monetization plan relating to GitLab's AI-features
19 “could [] accelerate a free-to-paid conversion?” To which Defendant Robins responded by saying,
20 “I think that all that we’re doing is to make the developer, the security and operations personas
21 more efficient and to allow, make code better, faster, cheaper, more secure. And so I think anything
22 that you do that enables that should help out on all the metrics that you track and model.”

23
24 136. The statements identified above are false and/or materially misleading such that
25 Defendants created the false impression that they possessed reliable information pertaining to
26 GitLab’s ability to develop and incorporate AI throughout the software development lifecycle
27 thereby increasing market demand and making all levels of software development more affordable
28 and properly monetizing its AI features. In truth, as corroborated by FE1 and FE2, GitLab’s AI

1 features did not possess the capabilities expressed and had not been made widely available to
 2 customers, GitLab's customers did not see its AI-powered features as a value add, and there was
 3 weak market demand for GitLab's touted AI integration throughout the software development
 4 lifecycle, as confirmed by GitLab's post-Class Period survey.

5 137. During the question-and-answer segment of the call, Defendant Robins was asked
 6 to further expand on the impact of the Premium price increase during the quarter.

7 <Q: Peter Sterling Auty MoffettNathanson LLC – Senior Managing Director of
 8 Software> Brian, just to -- and Sid, just another follow-up question just on the
 9 pricing. So you touched upon it, but I want to make sure to put a fine point here.
 10 Did it have any impact on win rates or length of deals where maybe customers were
 11 asking and negotiating a little bit harder because of the price increase? Or anything
 12 in terms of size of initial lands that may have been impacted because of the price
 13 increase? And if not, does that actually change when you think some of the benefits
 14 of the pricing increase will actually flow through the revenue line?

15 <A: Brian G. Robbins> Yes. Thanks for that, Sterling. I guess for everyone on the
 16 call, let me just briefly touch on the price increase. We haven't raised prices in 5
 17 years. And over that time period, we added 400 new features to the platform. And
 18 so that was the genesis of the price increase. The guidance we gave last quarter and
 19 today include the price increase. *As you know, the price was effective in early April.*
And so we really only had a short period of less than a month for that. But I am
happy to say that the renewal rates and the churn and the land of new customers
have been better than expected. And so we're happy with the results that we've
 20 seen in just that 1 month time period.

21 (Emphasis added).

22 138. The statements identified above are false and/or materially misleading because
 23 when Defendant Robins chose to positively promote the Company's renewal rates, churn, and new
 24 customer bookings, he had a duty to also disclose the negative impact the Premium price increase
 25 was having on GitLab's primary revenue driver – net seat expansion for existing customers. GitLab
 26 was already experiencing pricing sensitivity, especially amongst SMB and mid-market customers,
 27 resulting in slowed or stalled net seat expansion and reducing the potential for revenue growth
 28 under the Company's ratable business model.

29 139. During the question-and-answer segment, Defendant Robins was asked about the
 30 mix between Ultimate and Premium subscriptions.

1 <Q: Nicholas William Scotiabank Global Banking and Markets, Research
 2 Division – Analyst> Just a follow-up on Matt’s question on the Ultimate mix
 3 ticking up. It sounds like some of the strength there was driven from a business that
 4 was up for renewal in a smaller price point delta between Premium, Ultimate, and
 5 it also sounds like there was some strength there just on net new customers landing
 6 at Ultimate. But I’m just curious given there’s more renewal businesses sort of we
 7 progressed through 2Q in the second half, should we expect the Ultimate mix to
 8 continue to uptick here?

9 <A: Brian G. Robbins> As we said before, and I think it’s worth saying again, we
 10 don’t compensate the sales team to sell Ultimate versus Premium. And so that is an
 11 output and not something that we’re solving for. We want to deliver the best
 12 solution for the customer and get them a quick time to value and a positive business
 13 outcome. And so Ultimate had strength in the quarter. It’s really driven by
 14 compliance, security and all the additional product features that Ultimate has. *When
 15 you go through and look at Ultimate and look at expansion, first orders and so
 16 forth, Ultimate performed well in a lot of the categories as expected. And so where
 17 we saw some pockets of weakness was really in Premium on expansion of our
 18 existing clients* as well as the contraction. Churn was relatively low, but we still
 19 saw some contraction as well. And so like I said, Ultimate had a good quarter. *There
 20 was some pockets of weakness in Premium, I’ll call them watch points that we
 21 continue to watch.* But overall, happy with what we delivered.

22 (Emphasis added).

23 140. The statements identified above are false and/or materially misleading because
 24 Defendant Robins omitted material adverse information relating to customer pricing sensitivity
 25 following the Premium price increase. When discussing “pockets of weakness in Premium,”
 26 Defendant Robins failed to disclose that the slowed or stalled net seat expansion of existing
 27 customers stemmed from the Premium price increase and significantly increased the risk of lower-
 28 than-expected revenue growth in FY 2025 under the Company’s ratable business model.

29 September 5, 2023

30 141. On September 5, 2023, GitLab issued its earnings report for the three-month period
 31 ended July 31, 2023, the second quarter of fiscal year 2024 (“2Q24 Earnings Report”), filed with
 32 the SEC as Exhibit 99.1 to Form 8-K, signed by Defendant Robins.

33 142. In the 2Q24 Earnings Report, Defendant Sijbrandij is quoted as saying, ““GitLab’s
 34 strong quarter is a result of our focus on creating a differentiated and innovative DevSecOps
 35 platform and executing on a strong go-to-market motion[.] ...We believe that our rapid pace of

1 product innovation and strong customer demand position us to capture a greater share of the
 2 estimated \$40 billion total addressable market opportunity.””

3 143. Later that day, GitLab held an investor conference call to discuss its financial
 4 results for the second quarter of fiscal year 2024 (“2Q24 Earnings Call”). During the 2Q24
 5 Earnings Call, Defendant Sijbrandij once again touted GitLab’s AI-powered capabilities and
 6 potential to drive in revenue stating, in pertinent part:

7 AI continues to be a key area of product innovation. *We are developing AI-powered*
 8 *capabilities across the entire software development life cycle. Let me share just a*
 9 *few of these capabilities. Code Suggestions uses generative AI to suggest code to*
developers. Suggested Reviewers leverages AI to identify the most appropriate
reviewers of code. Explaining This Vulnerability provides details about potential
security vulnerabilities in code. And Code Suggestions remains on track to be
 10 generally available later this year. *We differentiate our approach to AI in several*
 11 *ways. We have a commitment to privacy and transparency in our use of AI, and*
 12 *we also deliver AI throughout the entire software development life cycle.*

13 ****

14 *The second topic I want to discuss is how we intend to capture the large*
 15 *DevSecOps market opportunity with a strong go-to-market motion. Strategic*
partnerships are an important part of our go-to-market execution and I would
 16 *like to highlight Google Cloud and AWS as 2 of the most significant.*

17 GitLab and Google Cloud are strongly committed to delivering secure enterprise
 18 AI offerings across the software development life cycle. We are thrilled to be
 19 working with Google Cloud on delivering our vision of AI-powered workflows.
 20 We are leveraging [PON2] foundational models, including the new coding model
 21 family to deliver new AI-powered experiences to all users involved in creating
 22 secure software.

23 Our partnership with Google extends even further. At this year’s Google Cloud
 24 Next, we announced our plans to integrate GitLab into the Google Cloud console.
 25 GitLab also received the 2023 Google Cloud Partner of the Year Award for the
 26 third consecutive year. Google recognized GitLab for our achievements in
 27 application development within the Google Cloud ecosystem.

28 Another key partner is AWS. In Q2, AWS introduced support for GitLab in AWS
 29 code pipeline. This is a fully managed continuous integration and continuous
 30 delivery service. This new AWS capability allows developers to leverage their
 31 gitlab.com source code repository to build, test and deploy co-changes with AWS
 32 code pipeline.

29 ****

In closing, I'm pleased with our second quarter results. They demonstrate continued momentum and solidify our category leadership. With our recent analyst and customer validation, we are well positioned to win in the estimated \$40 billion market opportunity. I'd like to thank our customers for trusting GitLab. And I'd also like to thank our team members, partners and the wider GitLab community for their contributions this quarter.

(Emphasis added).

144. The statements identified above are false and/or materially misleading such that Defendant Sijbrandij created the false impression that he possessed reliable information pertaining to GitLab’s ability to develop and incorporate AI throughout the software development lifecycle thereby increasing market demand and making all levels of software development more affordable and properly monetizing its AI-powered features. In truth, as corroborated by FE1 and FE2, GitLab’s AI features did not possess the capabilities expressed and had not been made widely available to customers, GitLab’s customers did not see its AI-powered features as a value add, and there was weak market demand for GitLab’s touted AI integration throughout the software development lifecycle, as confirmed by GitLab’s post-Class Period survey.

145. On the same call, Defendant Robins discussed the impact of GitLab's Premium price increase during the quarter, reinforcing greater impact to come in FY 2025.

I'm very happy with our key metrics in Q2 and that our revenue grew 38% year-over-year. I'd like to emphasize it's point about driving responsible growth as we achieved over 2,300 basis points of non-GAAP operating margin expansion. We continue to find ways to become more efficient while scaling the business to address our large market opportunity.

We also continue to make target investments in key product areas. These include security, compliance, AI and agile planning. ***Part of our responsible growth strategy is to continue to optimize our pricing and packaging. In April of this year, we raised the price of our premium SKU*** for the first time in 5 years. Over that time frame, we added over 400 new features. ***We believe this better aligns price with value for our customers*** and the investment we made over the past 5 years.

In the first 4 months post launch, customer behavior was in line with our expectations. As a reminder, we anticipate minimal impact to our financials from this change in the current year. We expect the price increase to have a much larger impact in FY '25 and beyond.

Looking back at the quarter, I want to touch on customer buying patterns, contraction and ultimate trends. First, ***customer purchasing behavior in Q2 was consistent with Q1 of FY '24. We believe buying patterns appear to have stabilized.***

Second, contraction was lower than Q1 of FY '24 and appears to be stabilizing. Third, Ultimage, our top tier continues to see strong adoption driven by customer wins for security and compliance use cases.

(Emphasis added).

146. Defendant Robins went on to reiterate the long-term positive impact of the Premium price increase and GitLab's plans to monetize its AI features.

We remain on track to achieve free cash flow breakeven for FY '25. ***There are a number of drivers we are introducing that we believe should help fuel our business in FY '25. I touched on the first one earlier, which is the price increase in our premium tier.*** Additionally, in Q2, we started enforcing user limits on our free SaaS tier. It's early, but we have seen additional free users upgrade to premium. The third driver is the launch of Dedicated. This allows us to address new opportunity for companies with complex security and compliance requirements. ***Finally, we plan to monetize our AI capabilities by launching an add-on that will include code suggestions functionality later this year.***

(Emphasis added.)

147. The statements identified above are false and/or materially misleading such that Defendant Robins created the false impression that he possessed reliable information pertaining to: (1) market acceptance of the Company’s Premium price increase; and (2) GitLab’s ability to develop and incorporate AI throughout the software development lifecycle thereby increasing market demand and making all levels of software development more affordable and properly monetizing its AI-powered features; thereby generating sustained revenue growth opportunities in FY 2025. In truth, as corroborated by FE1 and FE2, GitLab’s AI features did not possess the capabilities publicly touted by Defendants and general deployment of the touted AI-powered features amongst customers was delayed; feedback from customers who had engaged with the Company’s AI-powered features was largely negative; GitLab’s customers did not see its AI-powered features as a value add; and there was weak market demand for GitLab’s touted AI integration throughout the software development lifecycle, as confirmed by GitLab post-Class Period survey. In addition, GitLab was already experiencing pricing sensitivity following the Premium price increase, especially amongst SMB and mid-market customers, resulting in slowed or stalled net seat expansion and reducing the potential for revenue growth under the Company’s ratable business model.

1 148. During the question-and-answer segment, Defendant Robins was asked about
 2 customer behavior following the Premium price increase.

3 <Q: William Fitzsimmons Moffett Nathanson LLC – Senior Associate> Obviously,
 4 earlier this year, you announced a price increase in the way that's structured a lot
 5 of that won't be felt until fiscal 2025 and 2026. But now that it's been several
 6 months, can you maybe give us an update on kind of what you're seeing and hearing
 7 from customers on the price increase, retention trends and stuff like that?

8 <A: Brian G. Robins> And on the price increase, last quarter when we had our call,
 9 we only had a month of data. So happy to say we have 3 months of data this quarter.
 10 And I'm happy with the results. ***It's been in line to slightly above our expectations.***
 11 As a reminder, we implemented the price increase because we put 400 new features
 12 in the platform, and we wanted that to match the value that we are providing to our
 13 customer. And so the guidance that we provided for this quarter as well as the full
 14 year includes that impact. When we went -- ***when we announced the price increase,***
 15 ***we talked about just due to the ratable nature of the revenue and renewals coming***
 16 ***up through the year. There would be very little impact in FY 2024 and the***
 17 ***majority of the impact would come in FY 2025 with all the impact realized in the***
 18 ***year of FY 2026.***

19 ...

20 <Q: Matthew George Hedberg RBC Capital Markets, Research Division – Analyst>
 21 Brian, your comment was customer behavior and the premium price increases in
 22 line with expectations. I just wanted to double click on that a bit. What does that
 23 mean? Does that mean that they're just – they're effectively taking the price increase?
 24 Are you seeing any -- I know it's not a factor, but typically that you've talked about,
 25 but are any moving to Ultimate? Just maybe a little bit more color on what in line
 26 with your expectations means?

27 <A: Brian G. Robbins> Yes. Absolutely, Matt. When we did the price increase, we
 28 did an internal model that looked at bookings, churn, and we came up with what
 29 we thought our forecast would be on the overall net bookings. ***And so I would say***
 30 ***overall bookings is more positive than our internal forecast and churn is less.***
 31 ***And so we're seeing positive signs on every element of how we modeled it from a***
 32 ***bookings and churn perspective.***

33 ...

34 <Q: Michael Joseph Cikos Needham & Company, LLC, Research Division –
 35 Senior Analyst> I just wanted to make sure I'm kicking the tires here. I know you're
 36 talking in some of your comments to Matt that, hey, net bookings are slightly more
 37 positive. Churn is slightly below what you guys had forecast, which is great. But to
 38 be clear, like has there been any change as far as your assumption from this price
 39 increase to the guide? And can you remind us again, what is the benefit that you
 40 are including for this year's guidance when we think about the benefit from that
 41 price increase?

1 <A: Brian G. Robbins> No, absolutely. Thanks, Mike. There's been – it's included
 2 in our guidance. And when you walk through the ratable nature of the revenue, it's
 3 very little impact this year. *So where we are doing better than expected on the way*
 4 *that we modeled it internally from a bookings and churn perspective it doesn't*
 5 *have really any meaningful financial impact this year. We'll get the majority of*
 6 *the impact next year and then a little the following year.*

7 (Emphasis added).

8 149. The statements identified above are false and/or materially misleading such
 9 Defendant Robins created the false impression that he possessed reliable information pertaining to
 10 market acceptance of the Premium price increase thereby generating sustained revenue growth
 11 opportunities in FY 2025. In truth, GitLab was already experiencing pricing sensitivity following
 12 the Premium price increase, especially amongst SMB and mid-market customers, resulting in
 13 slowed or stalled net seat expansion and reducing the potential for revenue growth under the
 14 Company's ratable business model. Likewise, when Defendant Robins chose to positively promote
 15 the Company's bookings and customer churn, he had a duty to also disclose the negative impact
 16 the Premium price increase was having on GitLab's primary revenue driver – net seat expansion
 17 for existing customers.

18 150. During the question-and-answer segment, Defendant Sijbranij was asked about
 19 customer feedback as to GitLab's AI capabilities and its potential to drive revenue growth.

20 <Q: William Fitzsimmons Moffett Nathanson LLC – Senior Analyst> Obviously,
 21 a few months ago, the firm held discussion with investors to talk through the
 22 generative AI-based products and then you gave us an update on Duo in AI in the
 23 prepared remarks. But maybe double-clicking and going a little deeper, and I can't
 24 imagine we're still in the early innings here. But curious if you could talk through
 25 kind of early customer feedback on these products' adoption trends, what you're
 26 hearing and seeing?

27 <A: Sytse Sijbrandij> Yes. Thanks for the question. *And the early feedback to Duo*
 28 *has been very positive. Customers get that they need AI features, not just for*
 example, coding, but they need them throughout the DevOps life cycle. And we've
 29 just published a report actually, we're publishing it today, the state of DevOps. And
 30 even for developers, which is only kind of 1/3 of a DevSecOps platform, only 25%
 31 of their time is spent coding, 75% of their time is elsewhere. So it's really important
 32 to have a set of features throughout the life cycle. We're really happy that we have
 33 10 features out there already. And some of the oldest feature we have Suggested
 34 Reviewers has over 100,000 users today. So we're excited about progressing that
 35 further. *And it's great to see that customers recognize that they need a suite of AI*
 features, and therefore, we're excited about Duo.

1 ...

2 <Q: Ryan Patrick MacWilliams Barclays Bank PLC, Research Division – Research
 3 Analyst> For Sid, for those customers who are evaluating adding large language
 4 model features to their DevOps platform today, are they still mostly focused on
 5 code suggestions? Or is there increasingly other considerations at play as these
 6 customers get smarter and more in the leads on AI?

7 <A: Sytse Sijbrandij> Yes. I think as customers get more sophisticated, they're
 8 seeing that AI should be throughout the life cycle. As mentioned earlier in this call,
 9 like it's DevSec and Ops, like you need those AI features too to make security more
 10 efficient. If you just produce more co, that's not going to do it. And of those
 11 developers producing more co, that's not the only thing they need.

12 ...

13 *So as customers get more sophisticated, they want more AI features, and we're really happy that we have 10 features out already.* The second thing they want is good guarantees of privacy that their intellectual property is never going to be used to enhance other people their platform, their intellectual property. *So I think in both, we have a really compelling story.*

14 ...

15 <Q: Pinjalim Bora JPMorgan Chase & Co, Research Division – Analyst> Great.
 16 Congrats on the quarter. I wanted to ask you on Ultimate. As existing premium
 17 customers kind of look to pay the higher price, are you seeing some of the
 18 conversations lead to kind of upgrading to Ultimate, especially as you have to get
 19 people and flow in some of the AI capabilities as well like suggested reviewers.
 20 Are those conversations from premium customers looking to upgrade starting to
 21 happen more?

22 <A: Sytse Sijbrandij> Yes, whatever we expect is baked into our guidance, but
 23 *we're seeing that it is a reason for people to reevaluate which tier am I going to be on. And we're seeing Ultimate being more and more top of mind for people.*
 24 We haven't decided on the packaging of the AI features yet. So although AI is a
 25 significant part of the conversation, it's not driving Ultimate per se because we're
 26 still working on our packaging for the AI features.

27 (Emphasis added).

28 151. The statements identified above are false and/or materially misleading such that Defendant Sijbrandij created the false impression that he possessed reliable information pertaining to GitLab's ability to develop and incorporate AI throughout the software development lifecycle thereby increasing market demand and making all levels of software development more affordable and properly monetizing its AI-powered features. In truth, as corroborated by FE1 and FE2, GitLab's AI features did not possess the capabilities publicly touted by Defendants and general

1 deployment of the touted AI-powered features amongst customers was delayed; feedback from
 2 customers who had engaged with the Company's AI-powered features was largely negative;
 3 GitLab's customers did not see its AI-powered features as a value add; and there was weak market
 4 demand for GitLab's touted AI integration throughout the software development lifecycle, as
 5 confirmed by GitLab's post-Class Period survey.

6 152. During the same call, Defendant Robins was asked about customer buying behavior
 7 and key metrics impacting the Company's Dollar-Based Net Retention Rate (DBNRR).

8 <Q: Robbie David Owens Piper Sandler & Co., Research Division – MD and Senior
 9 Research Analyst> Brian, I just wanted to touch on the macro a little bit more. I
 10 appreciate the commentary and noting that NRR contracted again a little bit
 11 sequentially. So any guideposts you can put or rails around where that might go? I
 12 think you gave us a lot of indications around stabilization with behavior being
 13 consistent, some of the other metrics that you threw out. So just want to understand
 14 maybe where that NRR might bottom?

15 <A: Brian G. Robbins> So as I mentioned earlier, we did see some stabilization in
 16 Q2 over Q1. Customers are still buying what they need. And so the fact that last
 17 year, they're buying a lot more. In this year, they're just buying what they need is
 18 why you're seeing a slight drop in the net dollar retention rate. I am happy to say
 19 that every year since we've launched is still expanding. And so customers are still
 20 buying more year-over-year than what they've bought historically. *When you look*
at sort of – I've talked about historically that the watch point in the business was
around contraction, and that was primarily contraction expansion primarily in
our premium seats. I'm happy this quarter, we actually had a very good
expansion quarter. Contraction has leveled out, and churn has always been much
smaller. But both of those are reflected in the guidance going forward.

21 We didn't give out sort of what a target number is or where we think it will bottom
 22 out. If you look in the business, though, contraction started late in fourth quarter of
 23 last year. *And so we're about 3 quarters into this. Average contract length is a*
little over 14 months. So I expect we have another quarter, 1.5 quarters to go until
we work through the cycle of the new buying patterns.

24 (Emphasis added).

25 153. The statements identified above are false and/or materially misleading because
 26 Defendant Robins omitted material adverse information relating to customer pricing sensitivity
 27 following the Premium price increase, negatively impacting customer buying behavior, and failed
 28 to disclose that the slowed or stalled net seat expansion of existing customers experienced during

1Q24 and 2Q24 stemmed from the Premium price increase and under the Company's ratable business model, significantly increased the risk of DBNRR contraction in FY 2025.

September 7, 2023

154. On September 7, 2023, GitLab presented at the Goldman Sachs Communacopia & Technology Conference. During the conference, Defendant Sijbrandij was asked about customer buying behavior and key metrics impacting the Company's DBNRR.

<Q: Kasthuri Gopalan Rangan Goldman Sachs Group, Inc., Research Division – Head of Software Coverage> I'm curious, the big return on investment. And -- the -- I know you were early on to flag the macroeconomic concerns. But just to get the -- that part of the story out -- I mean it's a secular aspect in this cyclical aspect. This cyclical aspect everybody is going through what they're going through. Where are we -- are we done with the bottoming of all the metrics, the net expansion rate coming under pressure because of attrition, lack of expansion within your customer base? Where are we in that cycle?

<A: Sytse Sijbrandij> Yes. We've announced earnings on Tuesday, and we said we see a stabilization. Q2 was very similar to Q1. And all of these metrics are now stabilizing the gross retention number for GitLab. It's a trailing metric over 12 months, but we're getting to the point next quarter, we'll be 1 year in and then that should stabilize as well.

155. The statements identified above are false and/or materially misleading because Defendant Sijbrandij omitted material adverse information relating to customer pricing sensitivity following the Premium price increase, negatively impacting customer buying behavior, and failed to disclose that the slowed or stalled net seat expansion of existing customers experienced during 1Q24 and 2Q24 stemmed from the Premium price increase and under the Company's ratable business model, significantly increased the risk of DBNRR contraction in FY 2025.

156. During the conference, Defendant Sijbrandij was asked about the Company's key drivers of revenue growth in FY 2025.

<Q: Kasthuri Gopalan Rangan Goldman Sachs Group, Inc., Research Division – Head of Software Coverage> So as you talk to customers, and I've asked this question of every other CEO who is -- who have gone through probably 21, 22 CEOs and 5 CFOs. And I'll share with you what I've heard so far. But as you talk to customers, what are they saying about calendar '24?

<A: Sytse Sijbrandij> I think everyone's cautious. We're looking forward to the next year. And we'll see some of the price increase effect to kick in. We've got a new product called GitLab Dedicated, which is a single-tenant SaaS offering that's

1 super interesting for customers that want to have their own thing on their own
 2 private cloud that still want us to run the product. So we'll see the effects of AI KK
 3 more. We have 10 features now available to customers, but we'll be selling those.
 So we're looking forward towards next year, but if I could predict the macro
 economy, I probably wouldn't be a software CEO.

4 . . .

5 <Q: Kasthuri Gopalan Rangan Goldman Sachs Group, Inc., Research Division –
 6 Head of Software Coverage> So the code generation feature once you get access to
 7 it, are you able to like GitHub copilot is whatever, x dollars, right? Are you able to
 charge a separate SKU or charge a premium?

8 <A: Sytse Sijbrandij> Yes. We announced in earnings that it will be a separate SKU,
 9 and it will be priced at \$9 at the beginning.

10 <Q: Kasthuri Gopalan Rangan Goldman Sachs Group, Inc., Research Division –
 11 Head of Software Coverage> That was sort of the expectation that was said before
 12 you or you already talked about it, right? So are you -- how comfortable are you
 13 that, that price will stick, that people will pay maybe you can ask for more?

14 <A: Sytse Sijbrandij> Maybe you can ask for more. Maybe the costs are higher.
 15 Like it's very early, like things like inference costs are changing really, really
 16 rapidly. So it's hard to get that exactly right. The value creation is also -- generates
 17 a ton of code, but what is the value you can charge for it. And it's – that's all going
 18 to be very interesting.

19 157. The statements identified above are false and/or materially misleading such that
 20 Defendant Sijbrandij created the false impression that he possessed reliable information pertaining
 21 to: (1) market acceptance of the Company's Premium price increase; and (2) GitLab's ability to
 22 develop and incorporate AI throughout the software development lifecycle thereby increasing
 23 market demand and making all levels of software development more affordable and properly
 24 monetizing its AI-powered features; thereby generating sustained revenue growth opportunities in
 25 FY 2025. In truth, as corroborated by FE1 and FE2, GitLab's AI features did not possess the
 26 capabilities publicly touted by Defendants and general deployment of the touted AI-powered
 27 features was delayed; feedback from customers who had engaged with the Company's AI-powered
 28 features was largely negative; GitLab's customers did not see its AI-powered features as a value
 add; and there was weak market demand for GitLab's touted AI integration throughout the
 software development lifecycle, as confirmed by GitLab's post-Class Period survey. In addition,
 GitLab was already experiencing pricing sensitivity following the Premium price increase,

1 especially amongst SMB and mid-market customers, resulting in slowed or stalled net seat
 2 expansion. As a result, declining expansion growth under the Premium tier, coupled with slow
 3 customer adoption of GitLab's AI-powered features and weak market demand for AI integration
 4 throughout the software development lifecycle, significantly reduced GitLab's potential for
 5 revenue growth in FY 2025 under its ratable business model.

6 158. During the conference, Sijbrandij was asked about GitLab's AI capabilities.

7 <Q: Kasthuri Gopalan Rangan Goldman Sachs Group, Inc., Research Division –
 8 Head of Software Coverage> So, when we look at the competitive environment,
 9 there is a quick tendency to conclude that Git[Hub] copilot has had tremendous
 10 impact, which it clearly has. How do you look at that cogeneration single trick
 11 which is an effective trick. Does that change the competitive landscape for you guys?
 Have you seen any changes at all evaluation, et cetera? I want to hear the answer to
 that, and then I have another question about your own cogeneration feature, which
 we've been expecting for quite some time.

12 <A: Sytse Sijbrandij> Cool. Yes. We'll talk about that next. I think cogeneration is
 13 important. We'll talk about our feature there. First, I think to give some context, we
 14 just released the State of DevOps report on Tuesday. And often people in the
 15 DevSecOps process, about half are developers, but they spend only 25% of their
 16 time coding. So if you make more effective, that's helpful. And it's also super
 helpful to help them with the other 75% of their time. And you've got to make the
 security and operations people also more effective.

17 Otherwise, you're going to get bottlenecked. So it's not just generating more code.
 18 For example, we have a feature -- an AI feature called suggested reviewers. It
 19 suggests the best reviewer for your code because most of the time that it takes to
 20 get something out to market, it's not time spent coding behind the keyboard, but
 21 waiting for the right -- to find the right person to review your code. So we now have
 22 10 AI features usable by customers today, 3x more than the competition, and they
 23 help throughout that life cycle, and that's super important to get the overall
 efficiency up.

24 . . .

25 <Q: Kasthuri Gopalan Rangan Goldman Sachs Group, Inc., Research Division –
 Head of Software Coverage> Tell us about the other AI features that you have that
 the competition does not have. And what is it that Wall Street needs to know and
 people like me and Gilly need to know that. That there -- this is the AI story of
 GitLab, that has not been told. What is that AI story?

26 <A: Sytse Sijbrandij> Yes. So there's 10. I'm not going to go into all of them, we've
 27 talked about Code Suggestions, we talked about Suggested Reviewers. Another one
 28 is Explain This Vulnerability because -- the software is really good at saying, oh,

1 these are the vulnerabilities we found. But then what's the next step? And AI can
 2 help you there give you context and see whether it applies to you.

3 159. The statements identified above are false and/or materially misleading such that
 4 Defendant Sijbrandij created the false impression that he possessed reliable information pertaining
 5 to GitLab's ability to develop and incorporate AI throughout the software development lifecycle
 6 thereby increasing market demand and making all levels of software development more affordable
 7 and properly monetizing its AI-powered features. In truth, as corroborated by FE1 and FE2,
 8 GitLab's AI features did not possess the capabilities expressed and general deployment of the
 9 touted AI-powered features amongst customers was delayed; GitLab's customers did not see its
 10 AI-powered features as a value add; and there was weak market demand for GitLab's touted AI
 11 integration throughout the software development lifecycle, as confirmed by GitLab's post-Class
 12 Period survey.

13 160. Defendant Sijbrandij was also asked about the Company's recent Premium price
 14 increase and its strategy on pricing.

15 <Q: Federico Gilly Goldman Sachs Group, Inc., Research Division – Analyst> Yes.
 16 And so that does bring us to pricing and you guys released at GitLab 16, you guys
 17 really GitLab Duo. And you also recently did a price increase. Can you tell us a
 18 little bit about how you think your overall strategy for pricing? And then also how
 19 that manifest itself with a lot of the new generative AI tools?

20 <A: Sytse Sijbrandij> Yes. So in April, we did a price increase for GitLab premium
 21 from \$19 to \$29. And it's been 5 years since we changed the pricing. In that time,
 22 more than 400 new features came out that add a lot of value and allowed our
 23 customers to replace more point solutions. So we want to make sure we always
 24 generate more value than we captured, but it was the time to raise the price, and
 25 that's going to have an effect over a long time because contracts got to come up for
 26 renewal typically 12 months or more. Then there's the ratable nature of our revenue,
 27 and there's some – there's a legacy pricing for the existing customers.

28 161. The statements identified above are false and/or materially misleading such that
 1 Defendant Sijbrandij created the false impression that he possessed reliable information pertaining
 2 to market acceptance of the Premium price increase and GitLab's ability to properly monetize its
 3 AI-powered features. As corroborated by FE1, GitLab's customers did not see its AI-powered
 4 features as a value add, and as a result, the Company was already experiencing pricing sensitivity
 5 following the Premium price increase, especially amongst SMB and mid-market customers,

1 resulting in slowed or stalled net seat expansion and reducing the potential for revenue growth
 2 under the Company's ratable business model.

3 September 12, 2023

4 162. On September 12, 2023, GitLab presented at the Piper Sandler Growth Frontiers
 5 Conference. During the conference, Defendant Robins was asked about the Company's AI
 6 capabilities and its potential to drive revenue growth.

7 <Q: Robbie David Owens Piper Sandler & Co., Research Division – MD and Senior
 8 Research Analyst> What's your impact on this say. I think, obviously, the streets
 9 perception has changed that we're not going to asymptotically approach 1
 10 developer, right? It's not going to kill developments and that there is the more is
 11 more proposition, more is more is more proposition, I should say. To your business,
 12 you're going to release something either at the end of Q3, which is coming up or
 13 sometime in Q4. So between the next 20 and 110 days, I guess, you'll have a
 product in the market at \$9 a month. How did you choose the pricing? Do you think
 you're effectively monetizing that? And what could this do to that free open source
 base that you have out there? Because it feels like there's a massive opportunity to
 go after the estimated 90% of seats that are using kind of a free-ish version?

14 <A: Brian G. Robbins> Yes. So GitLabs pricing, the way that we price our product
 15 historically has been per seat per month. And so we had Ultimate and Premium,
 16 which you pay per seat per month. Everybody in the company has to be on the same
 tier, then we have the free version. And we have steered away from consumption.
 17 And we actually don't price differently between SaaS and self-manage even though
 18 SaaS is a little bit more expensive to deliver. We wanted to move the friction out
 19 of the selling and buying process to allow people to choose what they want. We
 20 want time to value and business outcomes for our customers. And so as we're
 21 thinking about the code suggestions and how to price that, we wanted to price it on
 a per user per month basis, but we didn't want to make you have to buy that with
 your sort of. ... Core product. And so you can buy it for just who you want. You
 can buy it for the free tier too. And so if you're on free, you want code adjustments.
 You can buy it if you're on Premium or Ultimate.

22 And so super happy with all the things we're doing today around AI. We have 10
 23 products in development. One is actually GA called Suggested Reviewers. It's
 24 around workflow and suggesting who you should -- who should be the next person
 in the workflow. It's in Ultimate today. It's bundled with Ultimate. Code
 25 suggestions, we price at \$9 per user per month. And then the other 8, we're working
 more on the technology. But look forward to them coming out and helping
 26 developers, operations and security professionals being more efficient.

27 163. The statements identified above are false and/or materially misleading such that
 28 Defendant Robins created the false impression that they possessed reliable information pertaining

1 to GitLab's ability to develop and incorporate AI throughout the software development lifecycle
 2 thereby increasing market demand and making all levels of software development more affordable
 3 and properly monetizing its AI-powered features. In truth, as corroborated by FE1 and FE2,
 4 GitLab's AI features did not possess the capabilities expressed and general deployment of the
 5 touted AI-powered features amongst customers was delayed; GitLab's customers did not see its
 6 AI-powered features as a value add; and there was weak market demand for GitLab's touted AI
 7 integration throughout the software development lifecycle, as confirmed by GitLab's post-Class
 8 Period survey.

9 164. Defendant Robins was asked about GitLab's customer buying behavior.

10 <Q: Robbie David Owens Piper Sandler & Co., Research Division – MD and Senior
 11 Research Analyst> So at the end of last year, I guess if we go back to last year here
 12 when we sat on the stage in this room, you were at a point where you just weren't
 13 seeing it yet, right? I don't think the macro had really impacted your business. And
 14 then at the end of the year, there was a pretty stark shift in the macro environments
 15 and fast forward 9 months from them or a year from when you were sitting next to
 16 me. And you've talked about stability in the second quarter. And I think to help
 17 frame the rest of the conversation, speak to the evolution that you guys have seen
 18 in terms of customer behavior, sales cycles and what have you?

19 <A: Brian G. Robbins> When we talked about last year, we saw that basically you
 20 buy GitLab and you pay you're in advance and you're under your contract. And so
 21 when I was saying we weren't seeing contraction, we may have been having some
 22 small contraction in the base. But when they're coming up for their year renewal is
 23 when we really saw it and what we're seeing now is people are just buying
 24 differently. I don't know if in your other software companies, you've seen this, but
 25 I call it the executive [VIX] for spending has been really, really high. And so with
 26 all the layoffs and rush to get profitable and free cash flow breakeven, a lot of
 27 companies are just buying what they need.

28 Historically, procurement departments for my whole career would try to buy as
 29 much as they need for a year to 2 years. They would buy for future hires, future
 30 projects and then they would -- you wouldn't see them again until renewal time.
 31 And now what you're seeing is a lot of procurement departments are buying just
 32 what's needed, and they're fine buying 2, 3 or 4 times a year. And so one of the
 33 things I've talked about is churning [and] contraction are very 2 different things.
 34 Usually, in companies, people have bundled them together. Churn has remained
 35 relatively low, but we've seen contraction primarily in premium and lack of
 36 expansion premium. And this is really attributed to the way that people are actually
 37 buying today versus how they bought in the previous year.

1 165. The statements identified above are false and/or materially misleading because
 2 Defendant Robins omitted material adverse information relating to the known trend of pricing
 3 sensitivity following the Company's Premium price increase, negatively impacting customer
 4 buying behavior, and resulting in stalled or slowed net seat expansion for existing customers.

5 166. During the conference, Defendant Robins was asked about the impact of the
 6 Premium price increase on the Company's revenue growth.

7 <Q: Robbie David Owens Piper Sandler & Co., Research Division – MD and Senior
 8 Research Analyst> And with the shorter durations that you mentioned relative to
 9 Ethan's question, we should be getting really excited about this price increase then
 next year. And I think we're modeling the knee in the curve to hit maybe middle of
 next year. Any thoughts or directionally how we can think about that?

10 <A: Brian G. Robbins> And so with the price increase, we have 4 months of data
 11 now. And so last earnings call, we only had a month and so it wasn't really a lot
 12 that we could talk about. There was some confusion on impact this year versus next
 13 year. Due to the ratable nature of the revenue that we talked about will only get a
 14 small impact this year and so you have to look at overall bookings, part of that goes
 15 ultimate, the rest is premium, 80% what you got is existing customers. And so they
 16 go – it's a stair step up. And so we talked about the amount of impact this year
 being a nominal and most impact next year and then the remaining impact coming
 the following year. We haven't done our annual operating plan for next year. And
 so I look forward on our fourth quarter earnings call. Give out our guidance for FY
 2025.

17 167. The statements identified above are false and/or materially misleading such
 18 Defendant Robins created the false impression that he possessed reliable information pertaining to
 19 market acceptance of the Premium price increase thereby generating sustained revenue growth
 20 opportunities in FY 2025. In truth, GitLab was already experiencing pricing sensitivity following
 21 the Premium price increase, especially amongst SMB and mid-market customers, resulting in
 22 slowed or stalled net seat expansion and reducing the potential for revenue growth under the
 23 Company's ratable business model.

November 14, 2023

168. On November 14, 2023, GitLab presented at the RBC Capital Markets Global Technology, Internet, Media and Telecommunications Conference. During the conference, Defendant DeSanto was asked about the Company's AI capabilities and its potential to drive revenue growth.

<Q: Matthew George Hedberg RBC Capital Markets, Research Division – Analyst>
I guess from a high level -- from a product perspective, do you see a difference between -- I mean, we've been talking about AI forever. You see -- do you see -- I mean, and I know the answer partially, so it's leading the witness, but the real difference between AI and generative AI and what that means from a GitLab perspective?

<A: David DeSanto> Yes. We are primarily using generative AI at GitLab. What I would say is instead of really talking about the differences between those, I think what would be great is to talk about how GitLabs doing it differently. Because everyone is saying they're including AI. And that's true.

I was just at CUBE con last week, it's big ops conference, and you couldn't walk 5 people out someone telling you that AI in their product. So GitLab, even though we're source available, we talked about Free. We're an open [core] company. We're very transparent. We end up in a situation where these are heavily regulated customers. These are people who have intellectual property, they can't have to go public and they come to GitLab to help them secure that.

And so when we were looking at AI, we had to ask ourselves what would make GitLab the best usage of AI and do it the GitLab way. And so we defined 3 tenants. The first was apply AI to the entire software development life cycle. When we recently just did our DevSecOps survey. If you've not read them, then they're amazing, there are full -- lots of great detail, we had over 5,000 respondents. What we found out that survey is that only 25% of the time that is on writing software. And if that's the case, then if you just accelerate that one part, the developer part, you're not really helping your organization get better.

The second was we want to be privacy and transparency first. What that means is that from a privacy standpoint, your code stays your code, we don't use it to train or fine-tune our models. And the transparency part is that you could literally go to get lab documentation at stocks@gitlab.com. And you'll see every model we're using and how it was trained. ***And so that has allowed customers to feel more comfortable adopting it.*** GitLab is trusted by more than 50% of the Fortune 100 to secure their intellectual property. That's an outstanding number, right? You talked about security started essentially 4 years ago in the product, and now we're the trusted provider.

And then the final one was we really wanted to focus on best-in-class AI. And what that means is picking the right model for the right use case. *And so we currently*

1 ***have between 12 and 16 models we use to Power GitLab for our AI features.*** And
 2 so if you combine those all together, that's how GitLab is doing AI differently. ***And***
 3 ***it's really helping people adopt the GitLab Duo, which is our suite of AI-powered***
 4 ***DevSecOps workflows.***

5 ...

6 <Q: Matthew George Hedberg RBC Capital Markets, Research Division – Analyst>
 7 So today, it manifests itself also in code suggestion on module. Do you see multiple
 8 sort of add-on features in the future that are kind of AI-based? I mean how do you
 9 think -- and I guess there's a question of how do you think again about what makes
 10 it into the base an Ultimate tier versus an add-on?

11 <A: David DeSanto> It's a great question. So just an update for everyone, no one
 12 saw the press release ***last week, we actually announced code suggestions will be***
 13 ***GA in December. Very excited about that. We've had a lot of customers turn it***
 14 ***on and use and give us feedback.*** And also last week, we announced this week on
 15 the 16th, which I think is Thursday. I know honestly, I've been all over the world
 16 at the week it is. ***The Duo chat function will go into beta, which means we'll be***
 17 ***available to a lot more customers and be monetizable.*** And so...

18 ...

19 <Q: Matthew George Hedberg RBC Capital Markets, Research Division – Analyst>
 20 Is that an additional add-on?

21 <A: David DeSanto> ***It's part of the existing add-on we announced, which has***
 22 ***the introductory price of the \$9, but it'll also be available to customers in Ultimate.***
 23 ***So to answer your question, we're looking at where the AI future fits and who it***
 24 ***benefits, and that's driving where it goes into the product.*** Today, we have nothing
 25 that's going to be in the Free tier related to AI but things like our vulnerability
 26 summary, which I mentioned a couple of minutes ago, a customer share[d] how
 27 that allowed them to drop some of their training material. That feature will explain
 28 the vulnerability in natural language, given an example of the code being exploited,
 given an example of that code being fixed in the developer's programming
 language.

29 And so that feature is going to go in Ultimate because it's fall on top of GitLab
 30 Ultimate. And so that's how we're looking at it. It's like where is the future fit?
 31 What to build on top of and what's going to give our customers the best boost.

32 ...

33 <Q: Matthew George Hedberg RBC Capital Markets, Research Division – Analyst>
 34 So then that's – it's a great sort of like dichotomy of how you think about adding.
 35 Do you see a world in the future where there might be 2, 3, 4 different add-ons that
 36 are sort of very specific to a use case?

37 <A: David DeSanto> Yes. I mean it's a great question. Some of that's probably
 38 forward-facing stuff. I can't talk about in the quiet period here. But what I would

1 say is that *we're finding ways to monetize the product in a way that is best for our*
 2 *customers. That includes -- we shared with our customers, we have a planned*
 3 *add-on that's available this week. That's helping to bring in the nontechnical*
people and to GitLab Ultimate. And so we're always looking for ways to do that.
 We realize just Premium or just Ultimate can be very restricting.

4 (Emphasis added).

5 169. The statements identified above are false and/or materially misleading such that
 6 Defendant DeSanto created the false impression that he possessed reliable information pertaining
 7 to GitLab's ability to develop and incorporate AI throughout the software development lifecycle
 8 thereby increasing market demand and making all levels of software development more affordable
 9 and properly monetizing its AI-powered features. In truth, as corroborated by FE1 and FE2,
 10 GitLab's AI features did not possess the capabilities publicly touted by Defendants and general
 11 deployment of the touted AI-powered features amongst customers was delayed; feedback from
 12 customers who had engaged with the Company's AI-powered features was largely negative;
 13 GitLab's customers did not see its AI-powered features as a value add; and there was weak market
 14 demand for GitLab's touted AI integration throughout the software development lifecycle, as
 15 confirmed by GitLab's post-Class Period survey. As a result, the slow customer adoption of
 16 GitLab's AI-powered features and weak market demand for AI integration throughout the software
 17 development lifecycle, significantly reduced GitLab's potential for revenue growth in the near
 18 term under its ratable business model.

19 December 4, 2023

20 170. On December 4, 2023, GitLab issued its earnings report for the three-month period
 21 ended October 31, 2023, the third quarter of fiscal year 2024 ("3Q24 Earnings Report"), filed with
 22 the SEC as Exhibit 99.1 to Form 8-K, signed by Defendant Robins.

23 171. The report provided GitLab's "Business Highlights" which included:

- 24 • Announced updates to GitLab Duo, the company's suite of Artificial
 Intelligence ("AI") capabilities, including:
 - 25 ○ The beta release of GitLab Duo Chat, a natural-language AI assistant
 that provides users with real-time guidance, insights, and suggestions to
 help analyze code, assist with planning, understand and fix security
 issues, and troubleshoot CI/CD pipeline failures.

- 1 ○ Code Suggestions, which helps development, security, and operations
2 teams create new code and update existing code to reduce cognitive load,
3 improve efficiency, and enable them to build more secure software
4 faster, will be generally available in the GitLab 16.7 December 2023
5 product release.
- 6 ○ The beta release of Vulnerability Summary, which provides AI-
7 generated explanations of security vulnerabilities and suggestions for
8 how to fix them.

9 172. In the 3Q24 Earnings Report, Defendant Sijbrandij is quoted as saying, ““We
10 delivered a strong quarter, which was driven by the continued adoption of our DevSecOps
11 Platform[.] … GitLab is the only DevSecOps company that integrates security, compliance, and
12 AI into one platform. With enterprises facing complexity from all directions, they need a partner
13 to help them realize business value. GitLab helps improve developer productivity and reduces
14 software spend, which is why our customers report seeing 7x faster cycle times with GitLab.””

15 173. In the 3Q24 Earnings Report, Defendant Robins is quoted as saying, ““Revenue
16 grew 32% year-over-year, which demonstrates continued business momentum driven by our
17 market-leading platform approach[.] … We continue to grow responsibly and delivered over 2,200
18 basis points of non-GAAP operating margin expansion. I am pleased to share that we had our first
19 quarter of non-GAAP operating profit while continuing to invest in key product areas including
20 security, compliance, AI, and Enterprise Agile Planning.””

21 174. The statements identified above are false and/or materially misleading such that
22 Defendants created the false impression that they possessed reliable information pertaining to
23 GitLab’s ability to develop and incorporate AI throughout the software development lifecycle
24 thereby increasing market demand and making all levels of software development more affordable
25 and properly monetizing its AI-powered features. In truth, as corroborated by FE1 and FE2,
26 GitLab’s AI features did not possess the capabilities publicly touted by Defendants and general
27 deployment of its touted AI features amongst customers had been delayed; GitLab’s customers did
28 not see its AI-powered features as a value add; feedback from customers who had engaged with
29 GitLab’s AI-powered features was largely negative; and there was weak market demand for
30 GitLab’s touted AI integration throughout the software development lifecycle, as confirmed by
31 GitLab’s post-Class Period survey. As a result, the slow customer adoption of GitLab’s AI-

1 powered features and weak market demand for AI integration throughout the software
 2 development lifecycle, significantly reduced GitLab's potential for revenue growth in the near
 3 term under its ratable business model.

4 175. Later that day, GitLab held an investor conference call to discuss its financial
 5 results for the third quarter of fiscal year 2024 ("3Q24 Earnings Call"). During the call, Defendant
 6 Sijbrandij reiterated the Company's numerous AI features available and how it has resonated with
 7 customers stating, in pertinent part:

8 Now I'd like to discuss our second topic, which is our unique approach to AI. ***We***
 9 ***already have 14 AI features available to our customers.*** That's more than any
 10 other DevSecOps platform we continue to innovate. ***GitLab Duo is our suite of AI-***
powered DevSecOps workflows that enables customers to boost speed and
efficiency without sacrificing privacy, security and compliance.

11 We have 3 principles in our AI strategy. First, we're the only platform that
 12 integrates AI throughout the entire software development life cycle. As developers
 13 become more effective, we enable security and operations team members keep pace.
 14 Also, developers only spend 25% of their time writing code. AI within DevSecOps
 should focus on more than just code creation.

15 Second, we are privacy and transparency first in our approach to AI. ***Our customers***
 16 ***are eager to use AI,*** but they want to do so responsibly. To support them with this,
 17 we do not use their code to train the AI models used by other customers. Our
 privacy-first approach is why more than 50% of the Fortune 100 trust GitLab to
 secure their intellectual property.

18 And third, our AI is powered by a diverse set of models from technology partners
 19 as well as our own AI models. That allows us to select the best AI model for each
 20 use case.

21 ***In Q3, we released the beta of GitLab Duo Vulnerability summary.*** This is a cool
 22 feature that provides AI-generated explanations of security vulnerabilities and
 23 suggestions for how to fix them. ***Another example of our progress is GitLab Duo***
Code Suggestions, our AI-powered code creation feature. It will be generally
available in our December product release. We have been hearing from our
customers that they are seeing efficiency improvements upwards of 50% with
Code Suggestions.

25 ***And finally, we recently announced the beta release of GitLab Duo Chat.*** With
 26 GitLab Duo Chat users can quickly understand project status, get help with
 27 planning and configuration, receive explanations of suggested code and generate
 28 tests, all without context switching. To start, GitLab Chat is available within GitLab
 UI, Web IDE and VS Code. We plan to add support for more editors in the future.

Our approach to AI is resonating with our customers. For example, Amado Gramajo, Vice President of Infrastructure & DevOps at Nasdaq, recently shared his excitement about how Gitlab Duo will help Nasdaq protect their intellectual property and stay in line with regulatory mandates. And presenting at this year's Gartner Application Innovation Summit, Bal Kang at NatWest said, 'GitLab Duo enables our developers to be more productive, efficient and successful in creating secure code. We're excited to see the benefits of GitLab's AI features across the entire value chain, and even our most seasoned engineers are seeing value.'

(Emphasis added).

176. The statements identified above are false and/or materially misleading such that Defendant Sijbrandij created the false impression that he possessed reliable information pertaining to GitLab’s ability to develop and incorporate AI throughout the software development lifecycle thereby increasing market demand and making all levels of software development more affordable and properly monetizing its AI-powered features. In truth, as corroborated by FE1 and FE2, GitLab’s AI features did not possess the capabilities publicly touted by Defendants and general deployment of its touted AI features amongst customers had been delayed; GitLab’s customers were *not* “eager to use AI” and did not see GitLab’s AI offerings as a value add; there was weak market demand for GitLab’s touted AI integration throughout the software development lifecycle, as confirmed by GitLab’s post-Class Period survey; and as a result, GitLab’s “approach to AI” was *not* resonating with its customers. Likewise, when Defendant Sijbrandij chose to speak about positive interactions with customers about encompassing AI in every phase of the software development lifecycle, he had a duty to disclose that customer feedback regarding GitLab’s AI-powered features had been largely negative, as corroborated by FE1.

177. During the same call, Defendant Robins addressed customer buying behavior.

Looking back at the quarter, I want to share some of the areas we have been closely monitoring. These include sales cycles, win rates, contraction and Ultimate. In comparing Q3 with Q2 of FY '24, we have seen overall sales cycles lengthen. During Q3, buying behavior in our Enterprise segment stabilized. ***However, in the mid-market and SMB, we see customers continue to be cautious in an uncertain macro environment.*** We have adopted our go-to-market approach in this environment to deliver predictable and strong results.

In Q3, our win rates have improved, signaling that the value proposition of the DevSecOps platform is resonating in the market. Contraction during Q3 also improved for the third consecutive quarter and is in line with levels from Q3 last year. ...

(Emphasis added).

178. The statements identified above are false and/or materially misleading because Defendant Robins omitted material adverse information relating to pricing sensitivity following the Premium price increase, negatively impacting customer buying behavior, especially amongst SMB and mid-market customers. Likewise, when Defendant Robins chose to positively promote the Company's win rates and contraction, he had a duty to also disclose the negative impact the Premium price increase was having on GitLab's primary revenue driver – net seat expansion.

179. Defendant Robins went on to reiterate the long-term positive impact of the Premium price increase and GitLab's plans to monetize its AI features.

There are a number of drivers we believe will fuel our business in FY '25 and beyond. At our core, continuing to deliver customer value with our DevSecOps platform aligns our success with our customers' success. Additionally, in April this year, we raised the price of our Premium tier for the first time in 5 years. Thus far, customer behavior has been in line with our expectations, although as a reminder, we anticipate the real financial impact from this change through FY '26.

* * * *

The final driver for FY '25 and beyond is the monetization of our AI capabilities. Last month, we announced the general availability of GitLab Duo Code Suggestions is expected in our December product release.

180. The statements identified above are false and/or materially misleading such that Defendant Robins created the false impression that he possessed reliable information pertaining to: (1) market acceptance of the Company’s Premium price increase; and (2) GitLab’s ability to develop and incorporate AI throughout the software development lifecycle thereby increasing market demand and making all levels of software development more affordable and properly monetizing its AI-powered features; thereby generating sustained revenue growth opportunities in FY 2025. In truth, as corroborated by FE1 and FE2, GitLab’s AI features did not possess the capabilities publicly touted by Defendants and general deployment of the touted AI-powered features amongst customers was delayed; feedback from customers who had engaged with the Company’s AI-powered features was largely negative; GitLab’s customers did not see its AI-powered features as a value add; and there was weak market demand for GitLab’s touted AI integration throughout the software development lifecycle, as confirmed by GitLab post-Class

1 Period survey. In addition, GitLab was already experiencing pricing sensitivity following the
 2 Premium price increase, especially amongst SMB and mid-market customers, resulting in slowed
 3 or stalled net seat expansion. As a result, declining expansion growth under the Premium tier,
 4 coupled with slow customer adoption of GitLab's AI-powered features and weak market demand
 5 for AI integration throughout the software development lifecycle, significantly reduced GitLab's
 6 potential for revenue growth in FY 2025 under its ratable business model.

7 181. During the question-and-answer segment of the call, Defendant Robins was asked
 8 whether there has been any change in the guidance relating to the Premium price increase based
 9 on customer buying behavior.

10 <Q: Michael Joseph Cikos Needham & Company, LLC, Research Division –
 11 Senior Analyst> I did just want to double check. So the first piece here, Brian,
 12 appreciate the update. It sounds like the Premium price SKU increase is tracking in
 13 line with expectations. Just wanted to see if there was any more color you could
 14 parse out there and if that in any way or your assumptions for that Premium price
 15 SKU is -- has changed when we think about that Q4 guidance that you guys are
 16 putting out there today?

17 <A: Brian G. Robins GitLab Inc. – Chief Financial Officer> Yes. Thanks, Mike.
 18 We're happy with the performance of the Premium price SKU. It's in line with
 19 what we modeled. One of the things that we've noted is first orders, especially in
 20 SMB and mid-market, are lower than expected. And you'll see some of that in the
 21 base customers of greater than \$5,000. But overall, we're happy with the Premium
 22 price impact, and it's in line with our expectations.

23 182. The statements identified above are false and/or materially misleading because
 24 Defendant Robins omitted material adverse information relating to pricing sensitivity amongst its
 25 existing customer base following the Premium price increase. Defendant Robins failed to disclose
 26 that existing customer buying behavior was negatively impacted by the Premium price increase
 27 resulting in slowed or stalled net seat expansion.

28 183. During the question-and-answer segment of the call, Defendant Sijbranij was asked
 29 about GitLab's AI capabilities and its potential to drive revenue growth.

30 <Q: Kasthuri Gopalan Rangan – Goldman Sachs – Analyst> And second and final,
 31 the – we've been waiting for Google to more closely align or for you to closely
 32 align your generative AI efforts with Google. How close or how far are we from a
 33 full-blown integration and announcement of sorts?

1 <A: Sytse Sijbrandij> ***Yes, the customer feedback on our AI functionality has***
 2 ***been positive.*** And as you might have heard in the prepared remarks, customers like
 3 NatWest and Nasdaq are using it in their engineering teams and seeing the value
 4 and the productivity and efficiency that it brings.

5 Our customers have reported efficiency improvements upwards of 50% with Code
 6 Suggestions. We recently spoke with a leading international travel agency, and they
 7 said that the features they tested, they believe that GitLab offers a better quality
 8 there. We also spoke with a multinational financial technology company, and their
 9 team is excited about using GitLab Duo for generating configurations, test
 10 generation, book finding and automating operational work. So we're very excited
 11 that we have a broad platform so that we can do AI across the life cycle with 14
 12 features for customers available today.

13 ...
 14 <Q: Nicholas William Altmann Scotiabank Global Banking and Markets, Research
 15 Division – Analyst> I wanted to build on Ryan's question just around the generative
 16 AI functionality with GitLab Duo. It sounds like there's not going to be really any
 17 difference in feature functionality and sort of folding in some of the new
 18 enhancements into SaaS and self-managed. But I wanted to ask how you guys think
 19 about layering additional feature functionality into Premium versus Ultimate and
 20 whether there's going to be kind of any difference there. And then just as a follow-
 21 up to that, as you sort of layer in more functionality into that Ultimate SKU, more
 22 broadly, how do you think about pricing?

23 <A: Sytse Sijbrandij> Yes, I think the -- our Code Suggestions, I think, is very
 24 comparable to market. But I think ***what's unique about GitLab is having 14 AI***
 25 ***features in the platform available to customers today. I think that's a big***
 26 ***differentiation.*** As for how do we sell it, some features will be a different SKU, for
 27 example, Code Suggestions, and that's then available not just to Ultimate and
 28 Premium but also free customers that might be not paying for GitLab today. I think
 29 that's an exciting opportunity, especially over the long term. And then some of the
 30 features we're going to put into Ultimate or Premium, and there might even be extra
 31 SKUs we introduce in the future.

32 ...
 33 <Q: Michael Turits KeyBanc Capital Markets Inc., Research Division – MD &
 34 Senior Analyst> Right. I guess I meant it more from a general demand perspective.
 35 In other words, people are using more cloud. Is that driving more need, demand for
 36 GitLab subscriptions, seats, et cetera? And again, what's really offsetting that SMB
 37 weakness that drove the upside in the quarter?

38 <A: Sytse Sijbrandij> I think that with GitLab, it has the biggest benefit the more
 39 complex your organization is. So the more complex your security and governance,
 40 the more heterogeneity in your projects where you go from kind of having projects
 41 on mainframe to the latest agile, that is where we can really shine. By bringing that
 42 all together in 1 platform, we typically see a 7x acceleration of cycle time. So give

1 us the hardest problems, that's where we shine. And the enterprises are having the
 2 hardest time of kind of having to move really fast, having all that -- all these things,
 3 they have to move at the same time but having the most compliance and security
 4 questions to do.

5 *We do believe if you look at the overall market, so far, it's just going to keep
 6 getting more complex. You get AI now. You'll have more regulatory friction
 7 coming for everyone. So that gives us a lot of optimism about the future.*

8 (Emphasis added).

9 184. The statements identified above are false and/or materially misleading such that
 10 Defendant Sijbrandij created the false impression that he possessed reliable information pertaining
 11 to GitLab's ability to develop and incorporate AI throughout the software development lifecycle
 12 thereby increasing market demand and making all levels of software development more affordable
 13 and properly monetizing its AI-powered features. In truth, as corroborated by FE1 and FE2,
 14 GitLab's AI features did not possess the capabilities publicly touted by Defendants and general
 15 deployment of its touted AI features amongst customers had been delayed; GitLab's customers did
 16 not see GitLab's AI offerings as a value add; and there was weak market demand for GitLab's
 17 touted AI integration throughout the software development lifecycle, as confirmed by GitLab's
 18 post-Class Period survey. Likewise, when Defendant Sijbrandij chose to tout overwhelmingly
 19 positive interactions with customers, he had a duty to disclose that customer feedback regarding
 20 GitLab's AI-powered features had been largely negative, making it a difficult product to sell, as
 21 corroborated by FE1.

22 185. During the question-and-answer segment of the Call, Defendants were asked about
 23 the Company's product-led growth motion, announced at the same time as the Premium price
 24 increase, and its impact on customer buying behavior.

25 <Q: Matthew George Hedberg RBC Capital Markets, Research Division – Analyst>
 26 Congrats from me as well. Maybe for either of you. One of the drivers that we think
 27 about over the next couple of years is free to pay. I think you guys have changed
 28 slightly sort of how you think about free-to-pay usage within your base. Can you
 talk a little bit more about that philosophically? And are you seeing any benefit
 from that in the Q3 results?

<A: Brian G. Robbins> Yes, Matt, I'll take that. Thanks for the question. And so
 we did implement a user limit on gitlab.com, and it's led good conversion from free
 to paid. However, the vast majority just fall below \$5,000, the base customer limit

1 that we report, and so the impact is relatively low. We're continuing to pursue that
 2 product-led growth. We think it will be – it's built into our guidance. And so that's
 3 on free to pay.

4 I'll also take this as just an opportunity. I know a lot of you have had a wide range
 5 of outputs in the model for FY 2025 related to the Premium price increase. We're
 6 halfway through our planning process right now. So we aren't giving guidance for
 7 next year. It's still a bit early. But the early work that we've done, we believe that
 8 the Premium price increase will contribute roughly \$10 million to \$20 million in
 9 revenue for next year. And so it should help you out from a modeling perspective.
 10
 11 . . .

12 <Q: Allan M. Verkhovski Wolfe Research, LLC – Research Analyst> Just a quick
 13 last question for me. Brian, that \$10 million to \$20 million benefit comment you
 14 made for next year's number, from the pricing increase was really helpful. Would
 15 love to understand what gross turn or NRR has been for Premium customers
 16 renewing over the last few quarters? And what kind of rough assumptions are you
 17 using to get to that \$10 million to \$20 million [still] in next year?

18 <A: Brian G. Robbins> Yes. So similar to what we walked through before, where
 19 we took a certain amount of bookings, we saw when they're coming up for renewal
 20 what the stage would be with the 1 year for existing customers and then the price
 21 increase for new customers and then taking an average of -- our average contract
 22 term right now is roughly about 15 months and in building that waterfall model.

23 And so I've talked about historically that it is ratable, and you have to build the
 24 ratable sort of nature of the waterfall out. Since there's been so many estimates that
 25 have come out in the various models, we thought it would be good just to quantify
 26 what the impact for next year would be to help you with your modeling.

27 186. The statements identified above are false and/or materially misleading because
 28 Defendant Robins omitted material adverse information relating to pricing sensitivity following
 the Premium price increase, negatively impacting customer buying behavior. Defendant Robins
 failed to disclose that GitLab had already experienced significant slowed or stalled net seat
 expansion during FY 2024, resulting in lower Base Customers added, and adversely impacting the
 Company's potential revenue growth in FY 2025, under its ratable business model.

29
 30 March 4, 2024

31 187. On March 4, 2024, GitLab hosted an investor conference call to discuss the
 32 financial results for the three-month period and fiscal year ended January 31, 2023, the fourth
 33 quarter and fiscal year 2024 ("4Q24 Earnings Call").
 34
 35

1 188. During the call, Defendant Robins was asked about customer buying behavior and
 2 how that impacted the Company's lower-than-expected FY 2025 revenue guidance.

3 <Q: Shebly Seyrafi FBN Securities, Inc., Research Division – Managing Director>
 4 So I think in prior quarters, you noted that sales cycles for the SMB, mid-market
 5 have been elongated, and in this quarter, you said enterprise did better than expected.
 6 So did SMB continue to be more challenged? Did the sales cycles improve? Just
 7 elaborate on what you're seeing in the SMB, mid-market segment.

8 <A: Brian G. Robbins> Thanks for that, Shebly. We're seeing customer buying
 9 behavior normalizing across the board. We didn't break out the sales cycles for
 10 SMB and mid-market in particular. But as I said, the churn and contraction, it's best
 11 that we see in 6 quarters, and sales cycles have normalized across the board.

12 ...

13 <Q: Karl Emil Keirstead UBS Investment Bank, Research Division – Analyst>
 14 Maybe for Brian. Brian, to your comment that you're electing to take a less
 15 conservative posture on the guidance, maybe a two-parter. Why – what's the logic
 16 there? Is it just that GitLab is now a big organization across a bigger scale and
 17 customer base, you've just got a little more precise visibility? Is that it? Or is it in
 18 reaction to the environment?

19 <A: Brian G. Robbins> Yes. Thanks for that, Karl. Going into our third year as a
 20 public company and also seeing the normalization of buying behavior, we'll just be
 21 less conservative in the guidance that we're giving out.

22 <Q: Karl Emil Keirstead UBS Investment Bank, Research Division – Analyst>
 23 Okay. And then I guess the follow-up would be did you make that change for the
 24 fourth quarter such that the beat you just put up in the January quarter might -- we
 25 can look as kind of a start of this more conservative guidance posture. Or is it more
 26 going forward?

27 <A: Brian G. Robbins> No, it's more going forward. Very happy with the bookings
 28 this quarter. We had the largest bookings quarter in company history. There is many
 29 firsts within the quarter: largest hyperscaler contribution, largest first order, largest
 30 Ultimate, and we had a greater number of \$1 million-plus deals. There was some
 31 linearity in the quarter. Things came more back in, in the quarter than expected.

32 ...

33 <Q: Michael Joseph Cikos Needham & Company, LLC, Research Division –
 34 Senior Analyst> I know in the Q&A, I think you had called out, from a linearity
 35 perspective, the quarter seemed to be a little bit more back half weighted. And so
 36 just curious -- again, we're trying to get our arms around this guidance here. Was
 37 there any change in customer behavior or purchasing patterns as we moved into --
 38 we now have, call it, a month or 2 under our belt for the current quarter? Or were
 39 things relatively unchanged as far as the spending patterns you're seeing?

1 <A: Brian G. Robbins> Yes. Thanks for that. We typically haven't commented sort
 2 of up into earnings. We comment sort of up until the quarter close. And we did see
 3 normalization across the entire -- across enterprise, mid-market and SMB. And I've
 4 also mentioned that we saw churn and contraction back to what we've seen 6
 5 quarters ago. And so that obviously gave us some confidence to give the guidance
 6 that we gave.
 7

8 ...

9 <Q: Matthew George Hedberg RBC Capital Markets, Research Division – Analyst>
 10 You mentioned a number of the drivers in the prepared remarks. One that I don't
 11 think you talked about was free to pay, and I know there's been an increased focus
 12 on that. Any update on that sort of focus? Because it really does feel like that's a
 13 real long-tail opportunity, but curious if there's anything to mention there.

14 <A: Brian G. Robbins> Yes. Thanks, Matt. We are getting a lot of free-to-paid
 15 conversion. However, the numbers are relatively low, so they don't come into the
 16 base customer count. And if you look at the overall sort of ARR that they're
 17 contributing, it's relatively small at this point.

18 ...

19 <Q: Jason Noah William Blair & Company L.L.C., Research Division –
 20 Partner & Co-Group Head of Technology, Media and Communications> Brian, just
 21 trying to square, I guess, with everybody else the guidance with the less
 22 conservative posture comment. In particular, if NRR is trending up and is around
 23 130%, doesn't this imply that NRR would have to decline from here for revenue
 24 growth to be in the mid-20s?

25 <A: Brian G. Robbins> There's a number of factors that go into our guidance. We
 26 build it from a bottoms-up perspective. And I would just say that what we reported
 27 was actuals and what we're guiding to is guidance, right? So it's not comparing
 28 apples to apples.

189. The statements identified above are false and/or materially misleading because
 20 Defendant Robins omitted material adverse information relating to pricing sensitivity following
 21 the Premium price increase, negatively impacting customer buying behavior. Defendant Robins
 22 failed to disclose that GitLab had already experienced significant slowed or stalled net seat
 23 expansion during FY 2024, resulting in lower Base Customers added, adversely impacting the
 24 Company's potential revenue growth in FY 2025, and significantly increasing the risk of DBNRR
 25 contraction in FY 2025, under its ratable business model.
 26
 27
 28

1 **VII. ADDITIONAL SCIENTER ALLEGATIONS**

2 190. Numerous facts alleged in Section V, *supra*, viewed collectively and holistically,
 3 raise a strong inference that the Individual Defendants knew or, at minimum, were reckless in
 4 disregarding the true facts regarding GitLab’s developmentally delayed AI-powered features,
 5 generating weak market demand and its growing deficit in net seat expansion following the
 6 Premium price increase, negatively impacting the Company’s revenue growth opportunities in FY
 7 2025, and that each of the false and misleading statements set forth in Section VI, *supra*, were
 8 materially false and misleading and/or omitted material adverse facts. In addition to the allegations
 9 set forth above, the following facts further support a strong inference of scienter.

10 **A. Corroborating Former Employee Accounts Confirm Individual Defendants’
 Knowledge of Material Adverse Information**

11 191. In addition to corroborating former employee accounts detailed in Section V.D.,
 12 *supra*, the following corroborating accounts of FE3 confirm the Individual Defendants’ knowledge
 13 of material adverse information concealed from investors during the Class Period. Specifically,
 14 the Individual Defendants were directly provided with and/or had access to information regarding
 15 the development status of all product innovations at the Company.

16 192. During their tenure at GitLab (November 2021 to November 2024), FE3 recalled
 17 discussions of the Company’s AI product offerings at the GitLab Assembly, which were all-
 18 company meetings – meaning all employees, including senior executives, were in attendance –
 19 held by GitLab mid-quarter every quarter. According to FE3, at those hour-or-so-long meetings,
 20 team members from any department could ask questions, and GitLab employees shared what was
 21 on the horizon for the Company.

22 **B. The Individual Defendants Held High-Level Positions at GitLab**

23 193. At all relevant times, each of the Individual Defendants served as senior level
 24 executives of GitLab.

25 194. Defendant Sijbrandij is the co-founder of GitLab and has served as the Company’s
 26 CEO and board member since September 2014, and Chairman since March 2021.

1 195. As GitLab's CEO, Defendant Sijbrandij was the head of GitLab's management and
 2 operation team. Sijbrandij, by virtue of his responsibilities and activities as CEO, was privy to all
 3 material information concerning, *inter alia*, GitLab's purported AI capabilities, monetization
 4 opportunities, subscription bookings, customer buying behaviors, and market demand.

5 196. Notably, on December 5, 2024, during the Company's investor conference call to
 6 discuss the financial results of the third quarter of fiscal year 2025 and in a press release not filed
 7 with the SEC, GitLab announced that Bill Staples would be taking over as CEO, but Defendant
 8 Sijbrandij would continue to serve as Chairman.

9 197. Defendant Robins has served as the Company's CFO since October 2020. Prior to
 10 joining GitLab, Mr. Robins has experience serving as CFO of various software, cybersecurity, and
 11 information technology companies dating back to 2008.

12 198. As GitLab's CFO, Defendant Robins was the head of GitLab's financial team and
 13 was responsible for ensuring the Company maintained adequate internal controls over financial
 14 reporting, designed under his supervision, to provide reasonable assurance regarding the reliability
 15 of financial reporting. Robins, by virtue of his responsibilities and activities as CFO, was privy to
 16 all material information concerning, *inter alia*, GitLab's purported AI capabilities, monetization
 17 opportunities, subscription bookings, customer buying behaviors, and market demand.

18 199. Defendant DeSanto joined GitLab in 2019 to help grow its Ultimate tier through
 19 building security into the DevOps process. DeSanto was appointed Chief Product Officer (CPO)
 20 in December 2022, after holding other leadership positions within the Company's product division.

21 200. As CPO of GitLab, DeSanto is primarily responsible for defining and executing a
 22 vision and roadmap for the Company's products. He was also responsible for facilitating a strong
 23 collaboration between product, engineering, Defendant Sijbrandij, and other executives.
 24 According to the GitLab Handbook, in this role, Defendant DeSanto is responsible for, *inter alia*,
 25 pricing tier decisions and process that sales and the wider community embrace; talking to
 26 customers regularly and providing that connection to the rest of the Company; ensuring customer
 27 feel understood; collecting competitive advantages and shortcomings in a structured way; and
 28 overseeing growth/user marketing strategy and implementation with the relevant product manager.

1 201. DeSanto, by virtue of his responsibilities and activities as CPO, was privy to all
 2 material information concerning, *inter alia*, GitLab’s purported AI capabilities, monetization
 3 opportunities, subscription bookings, customer buying behaviors, and market demand.

4 **C. AI and the Premium Price Increase Were Integral to GitLab’s Success**

5 202. The fraud alleged herein related to the core business and operations of GitLab, such
 6 that knowledge thereof may be imputed to the Individual Defendants. GitLab’s sole business was
 7 developing and marketing its DevSecOps platform. Product design, productivity, and security,
 8 customer buying behavior, and subscription contracts were elements of the Company’s business,
 9 operations, and prospects. In addition, as a company on a mission to scale and improve margins,
 10 meeting existing demand and recruiting new customers was essential to GitLab’s success. As
 11 discussed in Sections V.B. and V.C., *supra*, the Company’s product innovations geared towards
 12 integrating AI-powered features throughout the software development lifecycle and the Premium
 13 price increase were critical elements of the growth strategy.

14 203. Accordingly, it is appropriate to presume that the Individual Defendants were
 15 apprised of, had access to, or had actual knowledge of all material information related to GitLab’s
 16 business operations and financial condition during the Class Period, including the material adverse
 17 information that was improperly withheld and/or misrepresented to investors.

18 **D. The Individual Defendants Held Themselves Out as Knowledgeable**

19 204. The Individual Defendants knew investors and analysts were acutely interested in
 20 the Company’s AI capabilities and related monetization opportunities, customer buying behavior,
 21 and the revenue impact of the Premium price increase because they were repeatedly asked about
 22 such key operations and financial metrics throughout the Class Period during numerous investor
 23 calls and at analyst conferences. The Individual Defendants consistently spoke to those subjects
 24 with authority, indicating that they either had actual knowledge of the subject matters discussed
 25 (and thus the truthful information omitted) or were reckless to the likelihood of misleading
 26 investors by speaking with authority as to subjects about which they actually were uninformed.

27 205. In addition to the numerous statements made by the Individual Defendants
 28 described in Section VI, *supra*, indicative of knowledge or, at minimum, reckless disregard of

1 adverse facts, during the question-and-answer segment of the 1Q24 Earnings Call, Defendant
 2 Robins was asked about key metrics impacting GitLab's revenue growth.

3 <Q: Kasthuri Gopalan Rangan Goldman Sachs Group, Inc., Research Division –
 4 Head of Software Coverage> What does the month of May look like from a
 5 linearity standpoint? The net expansion rates that you saw as improving in the
 March quarter, it does hold up in the month of May as well.

6 <A:Brian G. Robbins> [A]s you would expect, we track a number of metrics
 7 internally from top of the pipeline to bottom conversion rates, p[r]i[]cing, expansion,
 churn, contraction and so forth. And I'm happy quarter-to-date, things are as
 8 expected. And so like I've mentioned last quarter was more predictable in fourth
 quarter and quarter-to-date, and we'll see how the quarter finishes out, but it's as
 9 expected on all those metrics that we track internally.

10 206. During the question-and-answer segment of the 1Q24 Earnings Call, Defendant
 11 Sijbrandij was asked about factors customers were evaluating when assessing whether to adopt AI.

12 <Q: Ryan Patrick MacWilliams Barclays Bank PLC, Research Division – Research
 13 Analyst> Sid, how are enterprises evaluating adopting AI for their code
 14 development today? So like what are some of the key items that they would grade
 you on? And would this happen via something like an RFP process? Or would this
 be something that they handle internally?

15 <A: Sytse Sijbrandij> Thanks. I believe it's more organic today. They're trying
 16 different things. I think what is really important to a lot of customers is the privacy
 17 of their code. And what they're looking for is a provider who can guarantee that,
 18 for example, the output of the models that they ask questions to isn't used for other
 models. So that's something that's top of mind for us as we build our features.

19 Other than that, it also has to be kind of accessible to everyone in the company. It
 20 has to work on the most popular editors. And we have a lot of revenue from self-
 21 managed. So we want to make sure that, over time, functionality also is available
 to self-manage customers where they can connect to the Internet to offer that
 functionality.

22 207. During the 2Q24 Earnings Call, Defendant Sijbrandij discussed in his prepared
 23 remarks how data security and privacy were top concerns for its customers stating, in relevant part:

24 Today, we released the findings of our state of DevSecOps study. This study
 25 illustrates the importance of our AI differentiation even further. In June 2023, we
 26 surveyed more than 1,000 respondents. These include in-video contributors and
 leaders in software development, IT operations and security. We found that 79% of
 27 respondents are concerned about AI tools accessing private information or
 intellectual property. We also found that developers only spend 25% of their time
 writing code. And that's why we believe delivering AI beyond just code
 28 suggestions is essential.

1 208. Additionally, as described in detail in Section V.B., *supra*, leading up to the Class
 2 Period, Defendants frequently spoke with analysts and investors about GitLab's prioritization of
 3 product innovation, namely its AI-powered features, and its monetization opportunities. For
 4 example, during the Company's AI Fireside Chat, held on May 3, 2023, Defendants focused on
 5 customer concerns regarding security and data privacy, highlighting the Company's unique one
 6 platform design, incorporating security in the DevOps process. Defendants also described in detail
 7 the Company's various AI-powered features purportedly already available to customers that
 8 Defendants considered "GitLab's differentiators" such that they "help everyone involved in the
 9 software development lifecycle." These discussions had the intended effect of quelling market
 10 concerns that GitLab was falling behind its competitors, and, in fact, positioned GitLab at the
 11 forefront of innovation and monetization. Truist Securities covered the event noting "[t]hough we
 12 do not expect monetization of these features in FY24, we came away incrementally optimistic on
 13 the roadmap that management laid out."

14 209. Likewise, as described in detail in Section V.C., *supra*, leading up to the Class
 15 Period, Defendants fielded numerous questions about the Premium price increase, its potential
 16 impact in FY 2024 and the expected impact in FY 2025. In addition to the numerous statements
 17 noted above, during the question-and-answer segment of the 4Q23 Earnings Call, Defendant
 18 Robins was asked about how the price increase factored into their model for FY 2024.

19 <Q: Kasthuri Gopalan Rangan Goldman Sachs Group, Inc., Research Division –
 20 Analyst> With respect to the outlook, you have these price increases contemplated
 21 in the model -- and also a recurring revenue model, you would have to have with
 22 the price increases, some significant downturn in net new ARR added to get to your
 23 numbers. I'm curious, what are you seeing in the early month of February and
 24 actually maybe even March, that would justify these kind of inputs? And also,
 25 secondly, if you can, your confidence that the price increases would stick. Have
 26 you done some early assessments and check-ins to see if customers would be
 27 willing to part with the value that you clearly see in the product from an ASP
 28 perspective?

29 <A: Brian G. Robbins> Yes. Absolutely. Thanks, Kash. Let me just sort of unpack
 30 what happened in the fourth quarter, and that sort of will go into the guidance. And
 31 so in the fourth quarter, up until earnings like in November, the dollar-based net
 32 retention rate was greater than 145%. And as I stated in the prepared remarks, for
 33 first, second and third quarter, it was above 145% as well. There was really no
 34 meaningful changes in the sales cycle duration. However, we saw some of it

1 increasing in enterprise and mid-market. We saw a slight increase, nothing really
 2 that material and SMB was holding to historicals.

3 The pacing for the quarter was okay. Nothing was off that dramatically. First Order
 4 and Ultimate, we are happy with. And we had good pipeline coverage. Month 2 and
 5 3 of fourth quarter acted differently than month 1 of fourth quarter. We saw a
 6 contraction increase. As you know, it's the largest quarter that we have. And so it
 7 was impacted related to layoffs. Deal sizes got smaller. So typically, when we go
 8 in and sell a deal, they buy a number of extra licenses for people in the enterprise,
 9 but they're buying just enough for what they needed at the time.

10 We started to see pipeline getting pushed out. And then our dollar-based net
 11 retention decreased in month 2 and month 3 of the quarter. And it increased almost
 12 equally across seats, ultimate upgrades and price yield. It increased against all of
 13 them. And so we've had real no -- no change in our guidance loss[es]. And so we
 14 took what we saw in fourth quarter and obviously, the month leading into the call
 15 and put that into our guidance.

16 . . .

17 <Q: Matthew George Hedberg RBC Capital Markets, Research Division –
 18 Analyst> Got it. Can I ask a quick one for Brian then. With the pending price
 19 increase, does your Q1 guidance assume any sort of like run or push on Premium
 20 tier see -- seen anticipation of the price increase to push off a year? Or just sort of
 21 thoughts on how that might feather in.

22 <A: Brian G. Robbins> Yes, we factored as we look at guidance, we look at the
 23 pipeline conversion rates, a number of different things. And so we did factor that
 24 in.

25 . . .

26 <Q: Michael Turits KeyBanc Capital Markets Inc., Research Division – MD &
 27 Senior Analyst> And then, my follow-up question, I'll just get it out now, Brian, if
 28 you could quantify for us how much do you think the tailwind from price increase
 would be this embedded in your guide, that would be helpful.

29 <A: Brian G. Robbins> On the next question about price increase baked into
 30 guidance. I can walk you through the math, but if you -- majority of our bookings
 31 are from our existing customers, within a quarter. And so those have to actually
 32 come up for renewal before you get the impact. We have that transition pricing the
 33 first year for them. And then you basically – we're starting 2 months into the year,
 34 so you're only getting 10 months of revenue. And then if you do a half year
 35 convention on that, we've baked the bookings in as well as the revenue. We haven't
 36 called out specifically how much it is, but that is baked into our guidance.

37 210. Defendants also routinely provided investors with key metrics, including ARR and
 38 DBNRR. Defendants tracked these metrics internally. Investors consequently believed that

1 Defendants' statements concerning these metrics were based on valid internal information and/or
 2 coincided with the internal information Defendants had in their possession at the time the alleged
 3 false and/or materially misleading statements were made. Thus, by providing these metrics to the
 4 public on a consistent basis, Defendants induced investors to rely on their statements even though
 5 they were false and/or materially misleading.

6 **E. Suspicious Timing of High-Level Departures at the Company**

7 211. By the start of the Class Period, GitLab had been developing its DevOps process,
 8 issuing numerous iterations of innovative product offerings for over a decade, and had operated as
 9 a public company for roughly two years.

10 212. On July 18, 2023, Gitlab announced the appointment of Chris Weber as Chief
 11 Revenue Officer. Weber succeeded Michael McBride, who over the previously five years, was
 12 instrumental in scaling GitLab from a private company to a successful public company. McBride
 13 left GitLab less than three months after the Company implemented the Premium price increase
 14 and the quarter before it implemented the change in methodology for calculating DBNRR.

15 213. During the Goldman Sachs Conference held on September 7, 2023, Defendant
 16 Sijbrandij discussed the hiring of Christopher Weber and exceptions when bringing him on with
 17 the Company, stating that: "We're super excited to have him on board. 20 years of experience at
 18 Microsoft, he ran a \$3 billion sales organization, and he's bringing that expertise, so we're looking
 19 forward to scaling with him in a very seamless transition. There's an evolution of revolution. We'll
 20 continue that things we did before, focus on the enterprise. It's always been the majority of our
 21 revenue and the focus on the partnerships with the hyperscalers. And Chris is now 7 weeks and
 22 spent a lot of time listening to our customers and the team, so super happy."

23 214. During the Piper Sandler Conference held on September 12, 2023, Defendant
 24 Robins was asked about the hiring of Mr. Weber.

25 <Q: Robbie David Owens Piper Sandler & Co., Research Division – MD and Senior
 26 Research Analyst> Great. And you've – you've said publicly that revenue is
 27 backward looking. You said, don't look at your billings, you tell us that every
 28 quarter when you disclose billings because they're lumpy, and then just admitted
 that cRPO can be lumpy. So what's the best forward-looking metric for investors
 as we try to analyze your business? I'm going to ask you the impossible question.

1 <A: Brian G. Robbins> This is when I asked Rob a question. Rob? I think you have
 2 to look at the business holistically, right? And so this past quarter, we thought we
 3 delivered a nice clean print, a good beat and raise when many companies wasn't
 4 doing that. And so to me, I would look at revenue growth, even though it is
 5 backwards looking. cRPO is directionally correct. Short-term calculated billings is
 6 directionally correct by the nature of what they are. There's some noise in there
 7 quarterly. So I wouldn't take 1 quarter of data and extrapolate that out to be a trend
 8 and would take a couple of quarters of data. And then I'd look at the company and
 9 what the company is talking about long-term guidance and where the guidance is
 10 for the year.

11 And so -- this past quarter, we had a CRO transition. We welcomed the new CRO,
 12 Chris. He's been with us for 8 weeks. But even with the new CRO and some of the
 13 macro uncertainty, we had confidence enough to raise the full beat through for the
 14 full year and also raise the year.

15 ...

16 <Q: Robbie David Owens Piper Sandler & Co., Research Division – MD and Senior
 17 Research Analyst> And you mentioned investing in sales and marketing. So my
 18 next question was, of course, going to be around the new CRO and the opportunity
 19 and what you foresee GitLab evolving into with his influence, what he brings to the
 20 table?

21 <A: Brian G. Robbins> Yes. So we -- Chris has over 20 years of really great
 22 experience, leading multibillion-dollar organizations and growing them at scale. He
 23 spent most of his career at Microsoft, which works out well for us in the sense that
 24 he knows how the Microsoft engine works. And so we met with a number of
 25 different candidates. And Chris, on a number of different levels, culture, experience,
 26 space really fit in well. And so he's been with us for 8 weeks. There's been very
 27 little disruption. There is really a great seamless handoff from our former CRO to
 28 Chris and super happy he is here.

29 215. Then, on August 2, 2024, less than two months after the Class Period ended, the
 30 Company announced that Mr. Weber gave notice of his resignation, effective August 4, 2024.
 31 Following Mr. Weber's resignation, the Company appointed Ms. Kramer as the Company's
 32 Interim Chief Revenue Officer in addition to her current role as Chief Marketing and Strategy
 33 Officer, effective August 5, 2024.

34 216. Other suspiciously timed executive departures include the Company's Audit
 35 Committee member, Mark Porter, and Chief Accounting Officer, Erin Mannix.

36 217. On April 3, 2024, GitLab announced that Mark Porter, member of the Board's
 37 Audit Committee, gave notice of resignation effective April 12, 2024. GitLab announced the
 38 appointment of Mr. Porter roughly fifteen months earlier on December 13, 2022.

1 218. On October 2, 2024, Erin Mannix, Chief Accounting Officer, informed Gitlab that
 2 she was taking a “temporary leave of absence due to medical reasons” effective immediately. The
 3 Company named Defendant Robins as Interim Chief Accounting Officer and Robins has remained
 4 in this position since. Gitlab announced the appointment of Ms. Mannix as Chief Accounting
 5 Officer just fifteen months earlier on June 30, 2023.

6 219. Moreover, as described in detail above, according to FE1, Ms. Kramer’s tendency
 7 to exaggerate the Company’s AI capabilities and other GitLab features caused turmoil amongst
 8 the upper ranks at GitLab. FE1 recalled numerous VPs that ultimately left GitLab because of this.

9 **VIII. LOSS CAUSATION AND ECONOMIC LOSS**

10 220. During the Class Period, GitLab securities traded publicly on a national exchange,
 11 the NASDAQ. The market for GitLab securities was open, well-developed and efficient at all
 12 relevant times.

13 221. Throughout the Class Period, as detailed herein, Defendants made materially false
 14 and misleading statements and engaged in a scheme to deceive the market and a course of conduct
 15 that artificially inflated the price of GitLab’s securities and operated as a fraud or deceit on Class
 16 Period purchasers and/or acquirers of GitLab’s securities by materially misleading the investing
 17 public. By issuing materially false and misleading AI product and market demand statements,
 18 among other adverse facts detailed herein, Defendants presented a false and/or misleading picture
 19 of GitLab’s business and operations. Defendants’ false and misleading statements alleged herein
 20 had the intended effect and caused GitLab’s securities to trade at artificially inflated levels
 21 throughout the Class Period, with GitLab securities reaching as high as \$77.60 per share.

22 222. Reasonably relying on the integrity of the market price of GitLab securities and
 23 market information relating to GitLab’s business and operations, Plaintiff and other members of
 24 the Class purchased or otherwise acquired GitLab securities at artificially inflated prices during
 25 the Class Period. When Defendants’ prior misrepresentations and fraudulent conduct became
 26 apparent to the market, the price of GitLab’s securities materially declined, as the prior artificial
 27 inflation dissipated. As a result of their purchases or acquisitions of GitLab’s securities during the
 28 Class Period, Plaintiff and other members of the Class suffered economic loss, *i.e.*, damages under

1 federal securities laws, which were proximately caused by Defendants materially false and
 2 misleading statements made to the investing public.

3 223. Indeed, as described in detail above and highlighted below, when the truth about
 4 the Company leaked out through a series of partial corrective disclosures, the inflation that was a
 5 direct result of Defendants' Class Period misrepresentations and fraudulent conduct was
 6 eliminated as GitLab's securities reacted to information in the market.

7 224. For example, on March 4, 2024 and June 3, 2024, Defendants disclosed information
 8 that was directly related to (or the materialization of risks created by) their prior misrepresentations
 9 and material omissions concerning GitLab's market demand for its new AI features and customer
 10 acceptance of increased pricing, impacting its guidance for fiscal year 2025 revenue growth.

11 225. In particular, during after-market hours on March 4, 2024, GitLab announced
 12 revenue growth expectations of only 25-26% for FY 2025. This projection was well below the
 13 market expectations generated by GitLab's own previous reports of economic growth and internal
 14 growth projections provided throughout FY 2024. The lower-than-expected guidance was
 15 delivered at the same time as the Company's announcement that it was now selling Duo Pro – a
 16 paid add-on for GitLab's AI features like Code Suggestions, Chat, and organizational control
 17 capabilities – for \$19 per user per month (\$10 more than initial target price). Defendants revealed
 18 that GitLab needed time to “build its pipeline and close deals on new products” before they could
 19 have a “meaningful impact in [GitLab's] ratable business model.”

20 226. Defendants also acknowledged “seeing normalization in buying behavior” and as a
 21 result, saw GitLab's “guidance philosophy to be less conservative this year than in the first 2 years”
 22 claiming they “want to communicate the right expectations and are sharing guidance accounting
 23 for the current environment.” As such, Defendants now expected the impact of the Premium price
 24 increase in FY 2026 to be bigger than FY 2025.

25 227. In response, the Company's stock price dropped from a closing price \$74.47 per
 26 share on March 4, 2024 to a closing price of \$58.84 per share on March 5, 2024, a decline of
 27 roughly 21% in a single trading day.

1 228. While investors and analysts reacted swiftly to these revelations, confusion
 2 remained in the market as to the underlying contributors to the soft guide provided by the Company.
 3 For example, on March 4, 2024, Piper Sandler issued an analyst report entitled, “GitLab, Inc.
 4 (GTLB), 4Q Shows Acceleration but Guidance Language Fails to Eschew Obfuscation.” The
 5 report highlighted how GitLab’s “strong 4Q accelerating trends was eclipsed by language of ‘less
 6 conservatism’ in the ensuing guide (modestly lower than street), begetting rampant speculation as
 7 to the underlying meaning.”

8 229. Then, during after-market hours on June 3, 2024, GitLab announced that it had
 9 completed its SSP analysis which had resulted in an estimated \$4 million headwind to FY 2025
 10 revenue guidance relative to the initial guidance revealed on March 4, 2024. The Company also
 11 revealed that for the first quarter of 2025, its ARR increased approximately 21% y/y (landing 5
 12 points below consensus growth expectations), this compares to a growth rate of 37% y/y in the
 13 prior quarter. In addition, GitLab’s DBNRR dropped sequentially by 1 point to 129%.

14 230. In response, the Company’s stock price declined from a closing price of \$47.07 per
 15 share on June 3, 2024 to a closing price of \$44.75 per share on June 4, 2024, representing a nearly
 16 5% drop in a single day.

17 231. On June 4, 2024, Needham & Company, LLC, issued an analyst report noting that,
 18 “GitLab’s 1QFY25 results exceeded guidance, although the 2.2% Revenue beat (2.7% adjusted)
 19 was lower than 6.6% upside generated over the trailing 4 quarters” and “cRPO and Billings in the
 20 quarter were below the consensus estimate.” The report went on to state that, “GitLab has been a
 21 DevOps darling as a result of its strong Revenue growth, holistic platform, and large TAM in
 22 excess of \$40 Billion. GitLab’s FY25 Revenue guidance implies NRR compression from 130%
 23 existing the prior year, with mixed signals related to improving contraction/churn dynamics versus
 24 a less conservative guidance philosophy. Following 1Q, we received our first indication of what a
 25 ‘less conservative’ forecast from management means.”

26 232. Accordingly, GitLab’s June 3, 2024 disclosures of declining revenue growth,
 27 DBNRR compression, and lower-than expected current remaining performance obligations (cRPO)
 28 and billings reported confirmed that a fundamental shift in customer buying behavior in FY 2024

1 (not a “less conservative” guidance philosophy) was behind the soft FY 2025 guidance. The 1Q25
 2 results revealed that GitLab had experienced a decline in net seat expansion in FY 2024.

3 **IX. PRESUMPTION OF RELIANCE; FRAUD-ON-THE-MARKET DOCTRINE**

4 233. At all relevant times, the market for GitLab securities was an efficient market for
 5 the following reasons, among others:

- 6 (a) GitLab securities met the requirements for listing and was listed and
 actively traded on the NASDAQ during the Class Period, a highly
 efficient and automated market;
- 7 (b) GitLab communicated with public investors via established market
 communication mechanisms, including disseminations of press
 releases on the national circuits of major newswire services and
 other wide-ranging public disclosures, such as communications with
 the financial press and other similar reporting services;
- 8 (c) GitLab was followed by several securities analysts employed by
 major brokerage firms who wrote reports that were distributed to the
 sales force and certain customers of their respective brokerage firms
 during the Class Period. Each of these reports was publicly available
 and entered the public marketplace; and
- 9 (d) Unexpected material news about GitLab was reflected in and
 incorporated into the Company’s stock price during the Class Period.

10 234. As a result of the foregoing, the market for GitLab’s securities promptly digested
 11 current information regarding the Company from all publicly available sources and reflected such
 12 information in GitLab’s stock price. Under these circumstances, all purchasers of GitLab’s
 13 common stock during the Class Period suffered similar injury through their purchase of GitLab’s
 14 securities at artificially inflated prices, and a presumption of reliance applies.

15 235. Alternatively, reliance need not be proven in this action because the action involves
 16 omissions and deficient disclosures. Positive proof of reliance is not a prerequisite to recovery
 17 pursuant to ruling of the United States Supreme Court in *Affiliated Ute Citizens of Utah v. United*

1 *States*, 406 U.S. 128 (1972). All that is necessary is that the facts withheld be material in the sense
 2 that a reasonable investor might have considered the omitted information important in deciding
 3 whether to buy or sell the subject security.

4 **X. NO SAFE HARBOR; INAPPLICABILITY OF BE SPEAKS CAUTION DOCTRINE**

5 236. The statutory safe harbor provided for forward-looking statements under certain
 6 circumstances does not apply to any of the material misrepresentations and omissions alleged in
 7 this Complaint. As alleged above, Defendants' liability stems from the fact that they provided
 8 investors with revenue projections and growth opportunities while at the same time failing to
 9 maintain adequate forecasting processes. Defendants provided the public with forecasts that failed
 10 to account for this decline in sales and/or adequately disclose the fact that the Company at the
 11 current time did not have adequate forecasting processes.

12 237. To the extent certain of the statements alleged to be misleading or inaccurate may
 13 be characterized as forward looking, they were not identified as "forward-looking statements"
 14 when made and there were no meaningful cautionary statements identifying important factors that
 15 could cause actual results to differ materially from those in the purportedly forward-looking
 16 statements.

17 238. Defendants are also liable for any false or misleading "forward-looking statements"
 18 pleaded because, at the time each "forward-looking statement" was made, the speaker knew the
 19 "forward-looking statement" was false or misleading and the "forward-looking statement" was
 20 authorized and/or approved by an executive officer of GitLab who knew that the "forward-looking
 21 statement" was false. Alternatively, none of the historic or present-tense statements made by
 22 Defendants were assumptions underlying or relating to any plan, projection, or statement of future
 23 economic performance, as they were not stated to be such assumptions underlying or relating to
 24 any projection or statement of future economic performance when made, nor were any of the
 25 projections or forecasts made by the defendants expressly related to or stated to be dependent on
 26 those historic or present-tense statements when made.

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1 **XI. CLASS ACTION ALLEGATIONS**

2 239. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil
 3 Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise
 4 acquired GitLab's securities during the Class Period (the "Class"); and were damaged upon the
 5 revelation of the alleged corrective disclosure. Excluded from the Class are defendants herein, the
 6 officers and directors of the Company, at all relevant times, members of their immediate families
 7 and their legal representatives, heirs, successors or assigns and any entity in which defendants have
 8 or had a controlling interest.

9 240. The members of the Class are so numerous that joinder of all members is
 10 impracticable. Throughout the Class Period, GitLab securities were actively traded on the
 11 NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can
 12 be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or
 13 thousands of members in the proposed Class. Record owners and other members of the Class may
 14 be identified from records maintained by GitLab or its transfer agent and may be notified of the
 15 pendency of this action by mail, using the form of notice similar to that customarily used in
 16 securities class actions. As of March 15, 2024 there was approximately 130.2 million shares of the
 17 Company's Class A common stock outstanding. Upon information and belief, these shares are held
 18 by thousands, if not millions, of individuals located throughout the country and possibly the world.
 19 Joinder would be highly impracticable.

20 241. Plaintiff's claims are typical of the claims of the members of the Class as all
 21 members of the Class are similarly affected by Defendants' wrongful conduct in violation of
 22 federal law that is complained of herein.

23 242. Plaintiff will fairly and adequately protect the interests of the members of the Class
 24 and has retained counsel competent and experienced in class and securities litigation. Plaintiff has
 25 no interests antagonistic to or in conflict with those of the Class.

26 243. Common questions of law and fact exist as to all members of the Class and
 27 predominate over any questions solely affecting individual members of the Class. Among the
 28 questions of law and fact common to the Class are:

- (a) whether the federal securities laws were violated by Defendants' acts as alleged herein;
 - (b) whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of GitLab;
 - (c) whether the Individual Defendants caused GitLab to issue false and misleading financial statements during the Class Period;
 - (d) whether Defendants acted knowingly or recklessly in issuing false and misleading financial statements;
 - (e) whether the prices of GitLab securities during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and
 - (f) whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

244. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

XII. CLAIMS FOR RELIEF

COUNT I

For Violations of Section 10(b) of the Exchange Act and SEC Rule 10b-5

(Against All Defendants)

245. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

246. This Count is asserted against all Defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

1 247. During the Class Period, Defendants engaged in a plan, scheme, conspiracy and
 2 course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions,
 3 practices and courses of business which operated as a fraud and deceit upon Plaintiff and the other
 4 members of the Class; made various untrue statements of material facts and omitted to state
 5 material facts necessary in order to make the statements made, in light of the circumstances under
 6 which they were made, not misleading; and employed devices, schemes and artifices to defraud in
 7 connection with the purchase and sale of securities. Such scheme was intended to, and, throughout
 8 the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members,
 9 as alleged herein; (ii) artificially inflate and maintain the market price of GitLab securities; and
 10 (iii) cause Plaintiff and other members of the Class to purchase or otherwise acquire GitLab
 11 securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of
 12 conduct, Defendants, and each of them, took the actions set forth herein.

13 248. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the
 14 defendants participated directly or indirectly in the preparation and/or issuance of the quarterly
 15 and annual reports, SEC filings, press releases and other statements and documents described
 16 above, including statements made to securities analysts and the media that were designed to
 17 influence the market for GitLab's securities. Such reports, filings, releases and statements were
 18 materially false and misleading in that they failed to disclose material adverse information and
 19 misrepresented the truth about the Company.

20 249. By virtue of their positions at the Company, the Individual Defendants had actual
 21 knowledge of the materially false and misleading statements and material omissions alleged herein
 22 and intended thereby to deceive Plaintiff and the other members of the Class, or, in the alternative,
 23 the Individual Defendants acted with reckless disregard for the truth in that they failed or refused
 24 to ascertain and disclose such facts as would reveal the materially false and misleading nature of
 25 the statements made, although such facts were readily available to each of the Individual
 26 Defendants. Said acts and omissions of defendants were committed willfully or with reckless
 27 disregard for the truth. In addition, each Individual Defendant knew or recklessly disregarded that
 28 material facts were being misrepresented or omitted as described above.

1 250. Information showing that Defendants acted knowingly or with reckless disregard
 2 for the truth is peculiarly within Defendants' knowledge and control. As the senior managers
 3 and/or directors of the Company, the Individual Defendants had knowledge of the details of
 4 GitLab's internal affairs.

5 251. The Individual Defendants are liable both directly and indirectly for the wrongs
 6 complained of herein. Because of their positions of control and authority, the Individual
 7 Defendants were able to and did, directly or indirectly, control the content of the statements of the
 8 Company. As officers and/or directors of a publicly-held company, the Individual Defendants had
 9 a duty to disseminate timely, accurate, and truthful information with respect to GitLab's businesses,
 10 operations, future financial condition and future prospects. As a result of the dissemination of the
 11 aforementioned false and misleading reports, releases and public statements, the market price of
 12 GitLab securities was artificially inflated throughout the Class Period. In ignorance of the adverse
 13 facts concerning the Company which were concealed by Defendants, Plaintiff and the other
 14 members of the Class purchased or otherwise acquired GitLab securities at artificially inflated
 15 prices and relied upon the price of the Company's stock, the integrity of the market for GitLab's
 16 securities and/or upon statements disseminated by Defendants, and were damaged thereby.

17 252. During the Class Period, GitLab securities were traded on an active and efficient
 18 market. Plaintiff and the other members of the Class, relying on the materially false and misleading
 19 statements described herein, which the Defendants made, issued or caused to be disseminated, or
 20 relying upon the integrity of the market, purchased or otherwise acquired shares of GitLab
 21 securities at prices artificially inflated by Defendants' wrongful conduct. Had Plaintiff and the
 22 other members of the Class known the truth, they would not have purchased or otherwise acquired
 23 said securities, or would not have purchased or otherwise acquired them at the inflated prices that
 24 were paid. At the time of the purchases and/or acquisitions by Plaintiff and the Class, the true value
 25 of GitLab's securities was substantially lower than the prices paid by Plaintiff and the other
 26 members of the Class. The market price of GitLab's securities declined sharply upon public
 27 disclosure of the facts alleged herein to the injury of Plaintiff and Class members.

28

253. By reason of the conduct alleged herein, Defendants knowingly or recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

254. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases, acquisitions and sales of GitLab securities during the Class Period, upon the disclosure that the Company had been disseminating misrepresented financial statements to the investing public.

COUNT II

For Violations of Section 20(a) of the Exchange Act

(Against the Individual Defendants)

255. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

256. During the Class Period, the Individual Defendants participated in the operation and management of the Company, and conducted and participated, directly and indirectly, in the conduct of the Company’s business affairs. Because of their senior positions, they knew the adverse non-public information about GitLab’s misstatements.

257. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information, and to correct promptly any public statements issued by GitLab which had become materially false or misleading.

258. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which GitLab disseminated in the marketplace during the Class Period containing the alleged misrepresentations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause GitLab to engage in the wrongful acts complained of herein. The Individual Defendants, therefore, were “controlling persons” of the Company within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of GitLab’s common stock.

1 259. Each of the Individual Defendants, therefore, acted as a controlling person of the
 2 Company. By reason of their senior management positions of the Company, each of the Individual
 3 Defendants had the power to direct the actions of, and exercised the same, to cause GitLab to
 4 engage in the unlawful acts and conduct complained of herein. Each of the Individual Defendants
 5 exercised control over the general operations of the Company and possessed the power to control
 6 the specific activities which comprise the primary violations about which Plaintiff and the other
 7 members of the Class complain.

8 260. By reason of the above conduct, the Individual Defendants are liable pursuant to
 9 Section 20(a) of the Exchange Act for the primary violations committed by the Company.

10 **XIII. PRAYER FOR RELIEF**

11 **WHEREFORE**, Plaintiff demands judgment against Defendants as follows:

- 12 A. Determining that the instant action may be maintained as a class action
 under Rule 23 of the Federal Rules of Civil Procedure, and certifying
 Plaintiff as the Class representatives;
- 15 B. Requiring Defendants to pay damages sustained by Plaintiff and the Class
 by reason of the acts and transactions alleged herein;
- 17 C. Awarding Plaintiff and the other members of the Class pre-judgment and
 post-judgment interest, as well as their reasonable attorneys' fees, expert
 fees and other costs; and
- 20 D. Awarding such other and further relief as this Court may deem just and
 proper.

22 **XIV. DEMAND FOR TRIAL BY JURY**

23 Plaintiff hereby demands a trial by jury.

1 Dated: February 5, 2025

Respectfully submitted,

2 **LEVI & KORSINSKY, LLP**

3 */s/ Adam M. Apton*

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